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UNITED STATES TARIFF COMMISSION

THE FOREIGN TRADE OF LATIN AMERICA

* * *

In three Parts

Part II

COMMERCIAL POLICIES AND TRADE RELATIONS OF INDIVIDUAL LATIN AMERICAN COUNTRIES

SECTION 17. - MEXICO

Washington
1940

THE AMERICAS

U.S. TARIFF COMMISSION — APRIL, 1940

UNITED STATES TARIFF COMMISSION

THE FOREIGN TRADE OF LATIN AMERICA

A report on the Trade of Latin America
with Special Reference to Trade
with the United States

Under the General Provisions of Section 332
Part II, Title III, Tariff Act of 1930

In three Parts

PART II

COMMERCIAL POLICIES AND TRADE RELATIONS OF INDIVIDUAL LATIN AMERICAN COUNTRIES

SECTION 17. - MEXICO

Washington
1940

UNITED STATES TARIFF COMMISSION

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United States Tariff Commission
Washington, D. C.

ACKNOWLEDGMENT

The Tariff Commission makes grateful acknowledgment of the assistance received in the preparation of this report from the Pan American Union, and the Department of Commerce, especially the Division of Regional Information, and the Division of Finance which prepared the tables on balance of payments.

In the preparation of this report the Commission had the services of Allyn C. Loosley, Philip Mullenbach, and Frank A. Waring, and others of the Commission's staff. The statistics were compiled by the Statistical Division of the Commission, and the commodity summaries in part III were prepared by the Commodity Divisions.

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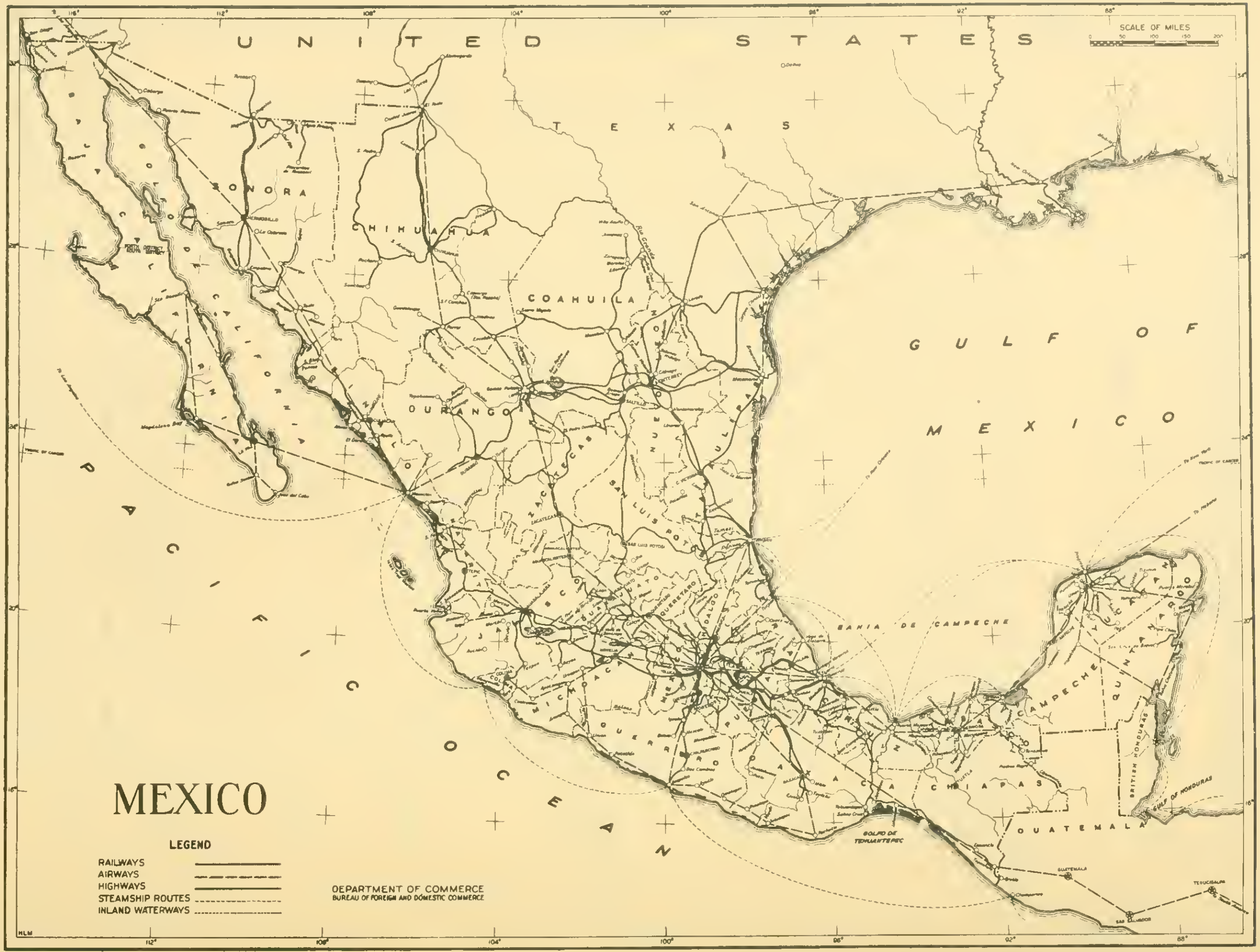
MEXICO

DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

SECTION 17. - MEXICO

Mexico - A Description

Physical characteristics.

Mexico,[1] the only Latin American country having a common boundary with the United States, lies between the Río Grande and Guatemala. Stretching approximately 2,000 miles from northwest to southeast, it has its greatest width - nearly 1,300 miles - along the United States-Mexican border, and its narrowest point - about 140 miles - at the Isthmus of Tehuantepec. Its westernmost point is just below San Diego, California, while its easternmost point is due south of Birmingham, Alabama. Mexico has an area of 764,000 square miles, approximately one-fourth that of continental United States.

About three-fourths of the Mexican area is occupied by a central plateau. This vast tableland attains its greatest elevation - about 8,000 feet - in the vicinity of Mexico City; from there it slopes to the north and to the east, the elevation on the United States-Mexican border in the vicinity of El Paso, Texas, being approximately 3,800 feet. Southward from Mexico City to the Isthmus of Tehuantepec the plateau narrows and descends less gradually. Flanking the central plateau on the east and west are mountain ranges, with elevations up to 18,000 feet. Between each of the mountain ranges and the coast are the tropical coastal plains. The Gulf coastal plain varies in width from a few miles to more than 100 miles, but the western coastal plain is in general very narrow. Three other areas - the Chiapas Highlands, the Peninsula of Yucatán, and the Peninsula of Baja (Lower) California - complete the Mexican area.

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[1] Officially known as Estados Unidos Mexicanos (United Mexican States), and as República Mexicana (Mexican Republic). The Federation consists of 28 States, 2 territories, and the Federal District.

Because of the topography of the country and the scanty rainfall in much of the area, Mexico's rivers are of little value for navigation, the rivers on the Pacific coast being even less important than those on the Caribbean side. As sources of hydroelectric power and for purposes of irrigation, however, the rivers are of decided value.

The extensive area covered by Mexico and the wide range in elevation make its climate one of the most varied within a single national boundary. In general, there are two seasons, the rainy and the dry, but the amount of rainfall varies considerably with the altitude and the latitude.

In the tropical coastal plains, and in the subtropical regions extending up to about 3,000 feet, the climate is hot and humid, and rainfall averages between 80 and 100 inches annually. The heaviest precipitation occurs on the plains along the Gulf. The typical vegetation in these areas consists of palms, ferns, and dense jungles. In the arid subtropical regions yucca, cacti, and mesquite predominate.

The central plateau region, which comprises three-fourths of the Mexican area, is temperate in climate. Here there is less rain, the Valley of Mexico averaging about 25 inches per year. In the high plateau and in the ranges trees are abundant, the timber line ranging from an elevation of 12,500 to 13,500 feet.

Population.

Mexico is the second most populous country of Latin America, being exceeded only by Brazil. According to the last census - that of 1930 - the population of Mexico was 16,553,000. In 1937 it was estimated to be 19,154,000. Thus, there are about 25 persons to the square mile. The concentration is greatest in the central plateau, especially in the areas adjacent to Mexico City.

Mexico City, with a population of 1,029,000 (1931), is the capital and metropolis of the country, and is the third largest city in Latin America.1/ Other important cities, with their population in 1930, are Guadalajara, 185,000; Monterrey, 137,000; Puebla, 123,000; Mérida, 110,000; León, 99,000; San Luis Potosí, 92,000; Toluca, 90,000; Aguascalientes, 82,000; Querétaro, 76,000; Torreón, 75,000; Veracruz, 72,000; Culicán, 71,000; and Tampico, 70,000. The important seaports on the Gulf of Mexico are Tampico, Veracruz, Puerto México, Alvara Obregón, Campeche, and Mérida. Those on the Pacific Ocean and the Gulf of California are Guaymas, Mazatlán, Manzanillo, Acapulco, and Salina Cruz.

Mixed races constitute about three-fifths of the Mexican population, with pure-blooded Indians accounting for nearly one-third, and Europeans for about one-tenth. There are but few Negroes in Mexico. The influx of foreigners has been comparatively small, but has involved

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1/ Mexico City is located in the Federal District, which has a population (including the City of Mexico) of 1,230,000. Buenos Aires, Argentina, and Rio de Janeiro, Brazil, have populations larger than that of Mexico City.

a large number of nationalities. Of the 160,000 foreign residents in 1938, 12,500 were from the United States, 12,700 from the United Kingdom, 7,300 from Germany, 5,000 from France, and 5,000 from Italy.

According to the census of 1930, the occupational distribution of Mexico's employed population was as follows: Agriculture and other rural industries, 77.2 percent; mineral and manufacturing industries, 6.3 percent; trade, 5.8 percent; government employment, 4.4 percent; domestic service, 4 percent; and communications, 2.3 percent.

Natural resources and economy.

Mining. - Since the discovery of the New World, Mexico has been one of the world's most important mineral-producing areas. It has produced more silver than any other country, and has been the world's leading exporter of that metal; it also ranks as one of the world's greatest producers and exporters of lead and petroleum. In 1929 approximately 75,000 persons were employed in mining and allied enterprises.[1] Although silver, gold, lead, copper, and petroleum are the leading minerals obtained in Mexico, that country produces many others of importance to modern industry. These include iron, zinc, tin, mercury, antimony, bismuth, tungsten, molybdenum, manganese, cadmium, selenium, arsenic, amorphous graphite, and platinum. Salt, opal, marble, and onyx are also of some significance. Mexican iron deposits are rich, bearing between 60 and 70 percent iron. There is, however, little coal in the country; the most important deposits are in the State of Coahuila.

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[1] Mexican census of 1930.

The importance of mining in the foreign trade of Mexico may be gaged from the fact that in 1938 mineral products and their derivatives accounted for more than three-fourths of all exports, in terms of value. The leading metals are exported chiefly in the refined state, the minor metals largely as unrefined ore. In addition to exports of crude oil, substantial quantities of refined petroleum products are exported, including gasoline, gas and fuel oil, kerosene, and lubricating oils.1/ Imports into Mexico are also influenced by the mining industry; a substantial portion of the Mexican import trade is accounted for by supplies and equipment for mining enterprises, and much of the railroad development has been associated with the extraction of minerals.

Silver is found in most of the Mexican States, but the principal production occurs in the State of Hidalgo. It is estimated that since the Spanish conquest of Mexico in 1521 approximately 5.5 billion ounces of silver, or more than one-third of the total world production during that period, came from Mexico which now accounts for about two-fifths of total world production. In 1939 Mexican production was estimated at 75.8 million ounces, valued at approximately 30 million dollars.2/

As a source of gold, Mexico occupies sixth place among the countries of the world. Most of the gold in Mexico is mined in conjunction with silver. Production in 1939 had an estimated value of 33 million dollars.

1/ For a discussion of the position of the various minerals in the export trade, see the section on composition of exports.

2/ For a discussion of the United States silver purchase program, see the section on "United States silver policy and imports from Mexico."

As a source of lead, Mexico ranks second only to the United States. Most of the lead is produced in the States of Chihuahua and Nuevo León, and almost all of it is refined in Mexico. Production of lead, most of which was exported, amounted to 311 thousand short tons in 1938. Production of zinc, which likewise is largely exported, amounted to 190 thousand short tons in 1938.

Mexico ranks second among the copper-producing countries of Latin America, being exceeded only by Chile. Its production of this metal, however, falls far short of that in Chile and in the other large producing areas - the United States, Canada, Rhodesia, and the Belgian Congo. Mexican production of copper occurs largely in the northern States of Sonora and Coahuila. In the 3 years 1936-38 it averaged about 44 thousand short tons (copper content) annually. Practically all exports of copper ore, concentrates, and unrefined metal from Mexico are shipped to the United States.[1]

Although Mexico ranked fourth among the petroleum-producing countries of the world in 1929, somewhat reduced production in Mexico in more recent years and greatly increased production in several other areas lowered its rank to seventh in 1939. The developed oil fields are located along the Gulf coast, principally in the States of Tamaulipas and Veracruz.

Mexican production of crude petroleum (which in several years prior to 1926 had exceeded 100 million barrels) declined from 44.7 million barrels in 1929 to 32.8 million in 1932; thereafter it increased steadily to 46.7 million in 1937, but declined in 1938 to 38.3 million. Though it increased somewhat in 1939 (to 42.8 million barrels), it remained below the 1929 figure. Petroleum production in Mexico in 1938-39 was affected by the expropriation of the properties of the foreign oil companies which had large interests in the Mexican oil industry.

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[1] Customarily about four-fifths of the copper imported by the United States from Mexico enters the United States under bond, for smelting, refining, and reexport.

About two-thirds of Mexico's production of petroleum and its derivatives are exported. Mexico, like Peru, exports a significant portion of its petroleum in the form of refined products, principally gasoline, kerosene, fuel and gas oil, and lubricating oil. In 1938 only 4.8 million barrels of crude petroleum were exported (less than 13 percent of total production). Exports of gasoline amounted to 2.7 million barrels, those of fuel and gas oil to 6 million, those of lubricating oil to 889 thousand barrels, and those of kerosene to 138 thousand.[1]

Production in 1938 of minerals other than those mentioned above was as follows: Antimony, 8,894 short tons; bismuth, 205 short tons; cadmium, 1.7 million pounds; molybdenum, 888 short tons; iron, 109,337 long tons; mercury, 647 thousand pounds;[2] and white arsenic, 19.6 million pounds.

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[1] Exports of kerosene from Mexico have declined sharply since 1929, as have exports from the United States; total world exports, however, have remained about the same.

[2] Equal to 8,519 flasks of 76 pounds each.

Agriculture. - The fact that mineral products constitute the major portion of Mexico's exports has tended to obscure the important part which agricultural, pastoral, and forest industries occupy in the Mexican economy. According to the census of 1930, more than three-fourths of the persons employed in Mexico were engaged in agriculture and other rural industries, although only about one-fourth of the arable land (approximately 30 million acres) is actually cultivated. It is estimated that two-thirds of the land under cultivation requires irrigation. Mexican agricultural production is largely for domestic consumption, but a number of products are important in the export trade.

Since Mexico lies in both the Temperate and Torrid Zones, and since its elevational range is great, it has variations in climate which permit an agricultural diversification possible in few other countries. The principal agricultural crops produced are corn, wheat, beans, bananas, cotton, coffee, henequen, sugar cane, and tobacco. Crops important as exports are henequen, bananas, cotton, and coffee. Of one of these - henequen - Mexico is the principal source of world supplies.

A wide range of other agricultural products is grown in Mexico, including chickpeas, oats, rye, barley, rice, sesame, cacao, vanilla, castor beans, peanuts, nutmegs, cloves, ginger and other spices, fruits, vegetables, alfalfa, and a number of fibers such as zapupe, pita, and ixtle hemp. Production of rice, grown chiefly in the coastal regions, is more than sufficient to meet domestic requirements. Fruits include oranges, lemons, grapefruit, apples, peaches, pears, plums, figs, dates, pineapples, mangoes, papayas, and guavas. A large number of vegetables are also grown; these include potatoes, string beans, tomatoes, lettuce, peas, green peppers, and melons. Tomatoes, lettuce, and peas are exported in considerable volume in winter months, principally to the United States.

The leading agricultural crop and the most important Mexican staple food is corn, grown in nearly every part of the country. About one-fourth of the total land under cultivation is devoted to this cereal, production of which averaged nearly 65 million bushels annually in the 3 years 1936-38. Practically the entire crop is required for domestic consumption. As a corn-producing country, Mexico ranks third among the Latin American countries, being exceeded by Argentina and Brazil.

Next to corn, the most important agricultural crop is beans, or _frijoles_, which are important in the Mexican diet. There are no accurate statistics of the size of the crop, but production is believed to average 30 million bushels annually. Only small quantities are exported. Closely allied to beans is another important crop - _garbanzos_, or chickpeas.

In the production of wheat Mexico ranks fourth among the Latin American countries. In the 3 years 1936-38, production averaged 12.5 million bushels annually. Since most of the wheat grown in Mexico is of the soft variety, hard wheat must be imported for mixing. The most important wheat areas are those surrounding Mexico City, and in the northern States of Sonora, Coahuila, Chihuahua, and Durango. Because of uncertain rainfall, the size of the crop varies considerably from year to year.

Within recent years, Mexico has become one of the world's leading exporters of bananas. In 1929, with exports of 5.7 million bunches,[1] it ranked seventh among exporting countries. Exports in the 3 years 1936-38 averaged 14.5 million bunches annually. In 1938 Mexico ranked second, being exceeded only by Jamaica, and was the leading Latin American exporter of bananas. Practically all of the bananas exported from Mexico are shipped to the United States.

Mexico ranks fourth among the Latin American countries as a producer of cotton. Production in 1938-39 amounted to 306 thousand bales, approximately two-thirds of which was consumed within the country. Customarily the ratio of local consumption is even higher. Cotton production in Mexico declined somewhat between 1936-37 and 1938-39, but in 1938-39 was still about one-fourth larger than in 1929. The leading cotton-producing areas are in Baja California, and in the States of Coahuila and Durango.

Mexico ranks higher in coffee production than in exports because of the large consumption within its borders. In exports of coffee, Mexico ranks sixth among the countries of Latin America. Exports of coffee in the 3 years 1936-38 averaged nearly 83 million pounds annually, about three-fifths of which was shipped to the United States. Coffee is produced principally in the States of Veracruz, Chiapas, and Oaxaca.

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[1] Bunches of 50 pounds.

World production of henequen, a fiber used in the making of binder twine and small ropes, takes place principally in the State of Yucatán.[1] Production in the 3 years 1936-38 averaged about 260 million pounds annually. The industry is controlled by a government organization which has taken over the functions of the Cooperative Society of Henequen Growers of Yucatán, and which regulates production and exports, and fixes prices. An export tax was levied on henequen on April 1, 1937. The Mexican tax operates to retard the exports of henequen, and to stimulate exports of Mexican binder twine made of henequen. Subsequently, an export tax was levied on binder twine, but at the same time the tax on henequen fiber was increased. Exports of henequen fiber (about 80 percent of which customarily goes to the United States) declined from 226 million pounds in 1936 to 128 million pounds in 1938. This decline was accompanied by an increase in the exports of binder twine made of henequen.[2]

Mexico ranks sixth among the Latin American countries as a producer of sugar. Production in the 3 years 1936-38 averaged 330 thousand short tons annually, more than sufficient to meet domestic requirements. Large areas on the Gulf coast are suitable for the cultivation of sugar cane; the most important producing States are Veracruz and Sinaloa.

Pastoral industries. - While stock raising is not conducted in Mexico on as extensive a scale as in certain other Latin American

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1/ Some henequen is also produced in Cuba. There is a large production of sisal, a closely related fiber, in the Netherlands Indies and British West Africa.

2/ See section on trend of exports.

countries, it ranks next to agriculture as a source of gainful employment. The area suitable for grazing is estimated to be 164 million acres, about one-third of the entire area. The range territory, which includes most of the northern States, is one of the world's largest grazing areas. Substantial parts, however, are not at present in use.

According to the census of 1930, there were in Mexico 10 million cattle, 3.6 million sheep, 6.5 million goats, and 3.6 million hogs, as well as 1.8 million horses, and large numbers of poultry. There is intensive dairy farming in the Valley of Mexico, particularly in the vicinity of Mexico City. For the most part production of pastoral products is for the domestic market. The export of cattle, cattle hides, and goatskins, however, is important.

Forest industries. - It is estimated that 64 million acres, or more than one-seventh of the entire Mexican area, is forested. The most important forest product in the export trade is chicle, but a number of others are significant, including guayule rubber, copra, camphor, copal, coquito palm oil (an oil used in soap making), zacaton root, dyewoods, and other woods. The best woods are found along the coast and in the southern States. The principal varieties are oak, pine, fir, cedar, spruce, and balsam, which are consumed domestically, and ebony, mahogany, sandalwood, and rosewood, which are produced for both domestic consumption and export. Zacaton root, used for making coarse brushes, grows wild in the highlands.

A large part of the world supply of chicle, used in the manufacture of chewing gum, is produced in Mexico. Production of chicle takes place largely in Yucatán, but the States of Campeche and Veracruz are also important. In the absence of statistics, Mexican production of chicle may be gaged by exports. In the 3 years 1936-38 exports of chicle, most of which went to the United States, averaged 7.6 million pounds annually. In addition, Mexico probably consumed about 1 million pounds annually in the manufacture of chewing gum. In 1938, Mexico accounted for 74 percent of total world exports of chicle. The production of chicle and the trade in that commodity are largely operated by United States interests, which have important holdings of chicle-producing lands.

There is a small production of crude rubber in Mexico, all of which is obtained from wild guayule, a desert shrub. At the time of harvest the entire plant is cut and the rubber removed by a mechanical process. United States interests have several thousand acres of guayule plants near Torreón, and these holdings account for the entire Mexican production. In 1912, the year of greatest output, Mexico produced 10 thousand long tons of guayule rubber. Production declined after that year largely because of the decline in prices caused by increased production of rubber in Malaysia. In 1938, Mexican production amounted to about 3 thousand long tons, practically all of which was shipped to the United States. Guayule rubber has a high resin content which has confined its use in the United States principally to the manufacture of rubberized fabrics, and to blending with crude rubber imported from other sources. When deresined, guayule rubber compares favorably in quality with crude rubber of other types.

Manufacturing. - Mexico has long attempted to foster manufacturing by protecting domestic industries. The decline in the volume and value of exports after 1929, and the consequent curtailment of imports, gave considerable impetus to the development of manufacturing within the country. To stimulate manufacturing and to protect domestic industries, imports of certain commodities were severely restricted by import duties.

In spite of certain natural disadvantages, such as the lack of extensive deposits of coal suitable for low-cost extraction, Mexico ranks as one of the important manufacturing nations of Latin America. Although there is some heavy industry, manufacturing is largely concentrated in the production of consumer goods. In addition to factory industry, a great deal of hand industry is carried on in households and in small shops. Such production is almost entirely for local markets.

Because of the lack of coal and the high cost of petroleum as an industrial fuel, great attention has been devoted to the development of hydroelectric power, and a large number of industrial establishments operate with electricity. There are more than 500 electric plants in Mexico, representing a capital investment of about 300 million pesos (approximately 60 million dollars, based on the current rate[1/] of exchange). About half of these are hydroelectric. Annual production os electricity in Mexico has increased from about 32 thousand kilowatt hours in 1900 to more than 2.5 billion kilowatt hours in 1938. It is estimated that only about 5 percent of Mexico's potential hydroelectric power has been developed.[2/]

[1/] December 2, 1940.

[2/] Pan American Union, Mexico, American Nation Series, No. 13, 1940.

The number of industrial establishments in Mexico is computed at 48,540, and the total investment in manufacturing industries amounts to about 1 billion pesos (approximately 200 million dollars). The leading manufacturing centers are Monterrey, Guadalajara, León, the Federal District, and Puebla, although a number of other cities are important.

A wide variety of manufactured foodstuffs is produced in Mexico, including sugar, flour, coffee, canned fruits and vegetables, alimentary pastes, beer, and malt. Other products manufactured in Mexico, most of which are produced in quantities sufficient to meet the requirements of the domestic market, include cotton and rayon cloth, knitted goods, shoes, leather, canvas and rubber shoes, perfumes, automobile tires, matches, soap, cement, paper, cigars, cigarettes, bottles, glassware, and pottery. Other domestically produced articles include alcohol, razor blades, binder twine, airplanes, structural steel, railroad rails, cast-iron wheels for railroad cars, nails, spring wire, and sanitary fixtures.

If the production of foodstuffs and beverages is omitted, the leading Mexican industry is the textile industry, which supplies most of the home market. It is estimated that in 1933 Mexico produced 90 percent of the cloth consumed within the country. In 1936 the textile industry accounted for nearly 10 percent of the total value of industrial investment. The principal branch of the textile industry is that producing cotton textiles, which furnishes about four-fifths of the total value of textile production. There are numerous woolen mills, and a few large silk mills. In addition, there is a substantial clothing manufacturing industry. Practically all of the cotton utilized in the manufacture of textiles is produced domestically, but most of the raw materials for the other branches of the textile industry are imported. Textiles are produced in many of the Mexican States, the more important centers being Puebla, the Federal District, Monterrey, and Guadalajara.

Foreign investments. - Statistics of total foreign investments in Mexico are not available. In 1932 total United States investments (direct and portfolio) were estimated to be 887 million dollars.[1] In the same year, the Mexican Chamber of Commerce estimated British investments in Mexico at 938 million dollars, French investments at 290 million dollars, Spanish investments at 195 million dollars, and German investments at 75 million dollars.[2] On the basis of these estimates, the investments of these five countries in Mexico in 1932 totaled 2,385 million dollars.

British investments in Mexico in 1938 were estimated to be 176 million pounds sterling (approximately 824 million dollars), of which 92 million pounds sterling (431 million dollars) were invested in railroads, 39 million pounds sterling (181 million dollars) in Government bonds, and 45 million pounds sterling (212 million dollars) in miscellaneous investments.[3] No recent data are available showing the ize or composition of French, Spanish, or German investments in exico. The expropriation of foreign oil properties by the Mexican overnment has of course substantially reduced the value of foreign nvestments in Mexico.

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[1] American Foreign Investments in 1931, Foreign Policy Reports, Vol. VII, No. 24, Feb. 3, 1932.
[2] Foreign Policy Reports, Vol. XIII, No. 11, Aug. 15, 1937.
[3] South American Handbook, 1940.

United States direct investments in Mexico rank third among the 0 Latin American countries, and fourth among the countries of the orld.[1] At the end of 1936, direct investments of United States apital in Mexico were officially estimated to be 479 million dollars, r 17 percent of all such investments in the 20 Latin American counries.[2]

In the order of their importance by industrial groups, United tates direct investments in Mexico at the end of 1936 were distributed s follows: Mining and smelting, 213 million dollars (44.6 percent f the total); public utilities and transportation, 148 million ollars (30.8 percent); petroleum, 69 million dollars (14.4 percent); griculture, 17 million dollars (3.5 percent); distribution or arketing, 11 million dollars (2.3 percent); manufacturing, 8 million ollars (1.7 percent); and miscellaneous, 13 million dollars (2.7 perent). Investments in the mining and smelting group are largely in organizations producing the precious metals; those in electric and gas utilities, railroads, and communication systems, named in the order of their importance, are the principal elements in the public utilities and transportation group.

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[1] United States direct investments in Mexico are exceeded by those n Canada, Cuba, and Chile. The rankings are those at the end of 1936. 'Direct" investments are defined as all United States investments in hose foreign corporations or enterprises which are controlled by a erson or small group of persons (corporate or natural) domiciled in he United States, or in the management of which such person or group as an important voice.

[2] Except as otherwise noted, all statistics of United States direct nvestments are from the U. S. Department of Commerce, American Direct nvestments in Foreign Countries - 1929, p. 18, and 1936, p. 12. Data or years subsequent to 1936 are not available. United States direct nvestments in the 20 Latin American countries at the end of 1936 mounted to 2,803 million dollars. In addition, about 44 million ollars was invested in the Guianas, and in British, French, and Dutch ossessions in the West Indies.

Total United States direct investments in Mexico at the end of 1936 represented a decline of about 200 million dollars from those in 1929. In 1929 the United States Department of Commerce estimated that United States direct investments in Mexico amounted to 682 million dollars, of which 230 million was accounted for by mining and smelting, 200 million by petroleum,[1] and 164 million by public utilities and transportation. The decline in the public utilities and transportation group was accounted for almost entirely by railroads. The reduction in the investments in petroleum, according to the Department of Commerce, apparently reflect the effect of economic and political conditions on the value of the petroleum industry between 1929 and 1936. Since 1936 the expropriation of United States oil properties has further reduced the value of these investments.

United States portfolio investments[2] in Mexico, as of January 1, 1932, were estimated to be 162 million dollars, as compared with 2,141 million for the 20 Latin American countries combined.[3] At the end of

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[1] According to the U. S. Department of Commerce, this amount included an estimate for omissions of 50 million dollars, which, in view of the completeness of the available data, it was not thought necessary to make in the 1936 study. Reported data in 1929, therefore, amounted to 150 million dollars, as compared with 69 million in 1936.

[2] "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

[3] Max Winkler, American Foreign Investments in 1931, Foreign Policy Reports, Vol. VII, No. 24, Feb. 3, 1932.

1935, the United States portfolio of Mexican securities was estimated at 261 million dollars. This compared with a total of 1,675 million for 18 of the 20 Latin American countries.[1/]

Although the large Mexican industries have been financed with foreign capital, there has been a marked increase in recent years in the number of small plants established with Mexican capital. The investment of Mexican capital, however, has not been confined to industries producing for the domestic market. A substantial portion of the investment in industries producing for foreign markets has also consisted of funds of Mexican origin. According to the Bank of Mexico, 28 percent of the value of Mexican exports in 1936 consisted of products of concerns controlled by Mexican capital. The ratio dropped to 21 percent in 1937, but increased to 29 percent in 1938, and to 34 percent in 1939.[2/]

National economic policy and the Six-Year Plan.[3/]

The reorientation of the nation's economic and social structure has been an important feature of Mexican political life since the revolution of 1910. The Constitution of 1917 paved the way for this program, but its aggressive implementation did not begin until the inauguration of President Lazaro Cárdenas on November 30, 1934.

[1/] Data for Ecuador and Paraguay are not available. Estimates are exclusive of repatriations and market purchases. Cleona Lewis, America's Stake in International Investments, The Brookings Institution, 1938, p., 655.

[2/] Banco de Mexico, S.A., Decimaoctava Asamblea General Ordinaria de Accionistas, 1940, p. 53.

[3/] The discussion of the Six-Year Plan is based in part on material contained in the U. S. Department of Commerce's World Economic Review, 1933, 1934, 1935, and 1936, and Economic Review of Foreign Countries, 1937 and 1938.

The Six-Year Plan[1] provided for the carrying out of the principles of the Constitution of 1917 with regard to the agrarian program, labor legislation, and nationalization or strict control of mineral resources; it also provided for a larger measure of governmental control or regulation of industry, agriculture, commerce, and cultural activities. The plan placed emphasis on a diminution of the country's dependence on foreign markets, on the encouragement of small or medium-sized industries instead of large units, and on the development of Mexican enterprises rather than foreign-controlled concerns. It also embraced plans for a wide range of other activities, including the enlargement of educational and public health facilities, the improvement of highways and railroads, the subsidization of aviation, and the development of a merchant marine. The second Six-Year Plan, to cover the period 1941-46, embodies further plans for the achievement of these objectives.

The principal means used by the Government to carry out its policy have been the expropriation of certain agricultural and mineral properties, a program of public works, the control of credit and prices, the adjustment of internal taxes and customs duties, the organization of cooperatives, the formation of mixed companies under the control of the State, and the limitation of new mining concessions to Mexican citizens. The Bank of Mexico has taken a direct part in the organization of a number of commercial banks, and the Bank of Agricultural Credit has taken the initiative in organizing and financing agricultural cooperatives, which control the principal export crops. A constitutional amendment, promulgated December 15, 1934, declared that Mexicans "shall be preferred to foreigners, in equality of circumstances, for all kinds of concessions and for all employments, offices, and commissions of the Government for which Mexican citizenship is not indispensable." Based on Article 27 of the Constitution of 1917, the Executive, on November 23, 1936, signed an expropriation law which permitted Government seizure of property for reasons of public and social welfare.

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[1] Adopted by the Queretaro convention of the National Revolutionary Party in December 1933.

The agrarian program. - Article 27 of the Constitution of 1917 declared that the ownership of lands and waters within the limits of the national territory was vested originally in the nation, and that the State has at all times the right to impose on private property such limitations as the public interest may demand. Articles 27 and 33 outlined the procedure for the distribution of agricultural land. A community of farmers or farm laborers may petition the Government for land. After investigation and approval of the petition, the Government, operating under the Constitution, expropriates the requisite acreage and deeds it to the petitioning group. The community thus created then divides the most fertile portion of the land by lot, among the heads of the petitioning families. The remainder of the land, and all of the farm machinery, are owned in common. Members of the community are also organized into producers' and consumers' cooperatives. The original owners are paid for their land in Government bonds on the basis of the taxable value of the land expropriated.

During 1934 the distribution of lands to rural communities was stimulated by creating an autonomous agrarian bureau, simplifying the legal procedure, and generalizing the right to receive lands to all types of rural centers of population. By the end of 1934, more than 20 million acres of land had been distributed to communities, composed of more than 800 thousand heads of families, and by the end of 1938, a total of nearly 57 million acres of land had been distributed under the agrarian laws. The program of land-distribution has been supplemented by various measures designed to improve the status of agriculture and to assist small farmers in raising their standard of living and improving their methods of cultivation. Appropriations for rural sanitation and education have been increased, and cooperatives have been organized under official auspices to handle the marketing of the principal crops, particularly those entering into export trade. Agricultural credit was liberalized by a reorganization of the Bank of Agricultural Credit in 1934, and the services of the Mexican Department of Agriculture were expanded.

Petroleum. - The legal basis for the nationalization of Mexico's petroleum resources was laid by Article 27 of the Constitution of 1917, which declared petroleum and other mineral resources to be the property of the nation. In 1927, the Mexican Government recognized oil rights acquired prior to the time the Constitution of 1917 went into effect, and issued certain confirmatory concessions to the owners. After that time, however, the Government withheld the granting of numerous confirmatory concessions.

The Mexican Government has actively participated in the development and operation of the nation's petroleum resources since 1934. By a decree of January 26, 1934, a semiofficial company, the Petróleos de México, S. A., was organized for the purpose of producing, refining, and distributing petroleum. The company, in which the Federal Government was the majority stockholder, was intended to serve as a nucleus for the development of a national oil industry. Steps also were taken to increase the Government's reserves of oil lands.

By an executive decree of January 30, 1937, a Government agency, known as the Administración General del Petróleo Nacional (General Administration of National Petroleum) was established. This agency took over all oil reserves and other properties which had been held by the Petróleos de México, S. A. The functions of this new agency were to explore and to develop lands in the national petroleum reserve, to promote development in the petroleum industry, to regulate the internal marketing and the export of petroleum, and to carry out all operations related to the production, acquisition, disposal, transportation, warehousing, refining, and distribution of petroleum, gas, and their derivatives.

The events which led up to the expropriation of foreign-controlled oil properties in Mexico in 1938 had their beginnings in 1936. In that year, various unions in the petroleum industry merged to form the Syndicate of Petroleum Workers, which affiliated with the Confederation of Mexican Workers. On November 3, 1936, the Syndicate, under the Federal Labor Law of 1930, sought to obtain wage increases and social welfare benefits. No agreement having been reached at a joint conference which lasted from December 1936 to May 1937, the Syndicate called a strike effective May 27, 1937. On June 7, 1937, the controversy was submitted to the Federal Conciliation and Arbitration Board; the strike was then ended and work was resumed. A special group of the Board handed down an award in favor of the union on December 28, 1937, and the oil companies filed a petition for injunction with the Mexican Supreme Court. The Supreme Court, in a decision of March 1, 1938, denied the injunction and sustained the findings of the Board. On March 16, 1938, the Syndicate of Petroleum Workers petitioned the Board to end the labor contract between the oil companies and the union, and on March 18, the Board declared the contract broken. On the same day foreign-controlled oil properties in Mexico were expropriated by executive decree on the basis of the Expropriation Law of November 1936.

An executive order of March 19, 1938, created the Administrative Council of Petroleum to take charge of the administration of the real and personal property expropriated from the various oil companies, and to formulate plans for the organization of the industry.[1] The Council was empowered to carry on all operations necessary for the exploration, development, refining, storage, and distribution of the products related to the expropriated properties, and to formulate regulations applicable when approved by the Executive.

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[1] The order provided that membership of the Council (to be designated by the Executive) would consist of 2 representatives of the Ministry of Finance and Public Credit, 3 of the Ministry of National Economy, 1 of the National Administration of Petroleum, and 3 of the Union of Petroleum Workers.

After the expropriation of the oil properties, the Mexican Government entered into negotiations with the foreign oil companies, and, in at least one instance, a settlement was effected. On December 2, 1939, the Mexican Supreme Court upheld the action of the Mexican Government in expropriating foreign-controlled oil properties.

Labor. - The principles of Article 123 of the Constitution of 1917, relating to the rights of labor, were embodied in legislation by the Federal Labor Law of 1931. This statute legalized collective bargaining; prohibited the lock-out; made the closed shop legal but not obligatory; restricted the right of employers to suspend operations or discharge workers; provided for dismissal wages when employees were dismissed without just cause, and established Government boards of conciliation and arbitration.

The Six-Year Plan called for the safeguarding by the State of the rights of labor, and for social and other allied legislation. Since the inauguration of the Six-Year Plan, the Federal Labor Law has been amended from time to time. A law of February 19, 1936, required payment for the weekly rest day, and thus raised wages by approximately 17 percent. The action of the boards of conciliation and arbitration has increased minimum wages, which were first established in 1933. The principle of profit sharing was incorporated in the settlement of a strike in the electrical industry in July 1936. More generous paid vacations than those provided in the Federal Labor Law were obtained by the workers in the cotton textile industry as a result of a collective agreement effective April 27, 1939, and made applicable to the entire cotton textile industry by executive decree.

In 1936, a number of unions combined to form the Confederación de Trabajadores de México (Confederation of Mexican Workers). Since that time a number of Mexican labor unions have been given entire or partial management of various Mexican industries. They now manage the National Railways, street railways, busses, and other public services, and share in the management of the national petroleum industries. Organized as producers' cooperatives, they are developing many of the other natural resources of the country and control sugar mills, textile mills, and shipping organizations.

Other features. - Besides giving attention to the agrarian program, the program for the nationalization of the petroleum industry, and the labor program, the Mexican Government has engaged in a wide range of other economic and social activities. Extensive public works programs have included the construction of irrigation projects, water supply and sewage disposal systems, schools, public buildings, highways and railroads, and the improvement of airports, maritime ports, and the national telegraph system. The Government has been active in exercising control over banking, credit, and prices, and over the food supply of the nation. In the mining industry, amendments to the mining law have favored Mexican citizens and small mining companies, and the organization of mining cooperatives has provided for greater governmental participation in the industry. The Six-Year Plan calls for the erection of central smelters and refineries, to treat ores at rates fixed by the Government.

A large number of Government-controlled enterprises and cooperatives have been established in Mexico, including sugar mills, a life insurance company, a paper importing and manufacturing company, a plow manufacturing cooperative, and a Government-controlled cinematographic institute for the production and distribution of motion-picture films. The Government-owned paper-importing company, assisted by preferential tariff and freight rates, has become preeminent in the paper-importing business. As of March 15, 1936, most of the foreign fire and other insurance companies ceased to write policies in Mexico, and the Government-sponsored company became outstanding in that field.

A number of important decree-laws promulgated in 1937 provided for extensive governmental control over the economic life of the nation. These decrees established control over the production, distribution, and prices of all commodities which may be declared of fundamental importance by the Department of National Economy.[1] The National Railways of Mexico were expropriated in accordance with the provisions of the Expropriation Law of November 23, 1936. A concession was granted for the establishment of a National Foreign Trade Bank, most of the paid-in capital being furnished by the Federal Government, and a National Labor Bank for Industrial Promotion was established to finance cooperatives of workers in the operation of industrial enterprises. The Federal Electric Commission, having been granted preferential rights to water power, was given authority to organize and administer a national system of electric generation, transmission, and distribution.

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[1] For example, a decree effective May 19, 1938, established a processing tax of 7 pesos per quintal of 46.02 kilograms on cotton utilized by domestic textile mills, the proceeds to be used to pay a subsidy to the cotton industry.

The Foreign Trade of Mexico

In foreign trade, Mexico ranked fourth in 1938 among the 20 countries of Latin America. In that year Mexican exports, valued at 185 million dollars, constituted 10 percent of the value of all commodities exported from the Latin American republics. Imports into Mexico, valued at 109 million dollars, accounted for more than 7 percent of all products imported by these countries.[1/] Mexican exports are customarily greater than imports. In the decade 1929-38 exports exceeded imports by 31 to 92 percent; the export balance ranged from 34 to 100 million dollars.[2/]

Mexican commercial policy.

Mexican foreign trade in the decade 1929-38 was greatly influenced by the tariff, nontariff import controls, import and export subsidies, export duties, barter arrangements, the policies of the Mexican Government with respect to industry and agriculture, and the policy of the United States with respect to silver.

[1/] Export values employed by Mexico are invoice values, f.o.b., except in the case of petroleum and metals. Petroleum and its derivatives are valued on the basis of the average monthly prices quoted in New York, minus the export tax, transportation cost, and other expenses. The value of metals in the exports is the arithmetical average of the daily quotations for each month in the New York market, converted to national currency at the monthly average dollar quotations. Import values are invoice values, c.i.f. Mexican port.

[2/] A large portion of Mexican exports consists of minerals, part of the production of which is by foreign-controlled companies. Such financial returns to the foreign companies as are included in the sales value of mineral exports probably do not afford foreign purchasing power for Mexico. Thus this trade may not provide foreign exchange in amounts commensurate with the values reported in the trade returns. In addition to returns on investments, the expenses incurred outside of Mexico by foreign companies decrease the amount of exchange made available by exports of such companies. If the companies were controlled by Mexican interests but financed with foreign capital, the net exchange position might not be very different from that which now prevails.

The tariff. - The Mexican tariff is single-column both in form and practice, the same rates being applicable to the products of all countries whether or not they have most-favored-nation agreements with Mexico. In the decade 1929-38, the tariff probably outweighed other instruments of trade control, largely because of the discretionary power accorded the Mexican Executive to modify tariff rates.

Since 1917 the Executive has from time to time had wide authority over the tariff. The budget law of December 31, 1936, authorized the Executive "to introduce such modifications in the import and export tariffs as may be deemed convenient", and "to increase whenever necessary the import duties imposed upon the products of a country which in any manner subjects imports from Mexico to differential duties or practices which place them in a disadvantageous position as compared with those of other countries." Under this authority the Executive has made frequent changes in the general tariff rates, but penalty duties on products of particular countries have not been applied, at least in recent years. The Executive is also empowered to decree duty-free entry or temporary reduction of import duties for any product under conditions of local scarcity or public distress, and to grant duty-free entry for cables and wire for the national telegraph system, and for armaments, ammunition, and implements of war for the Army and Navy.

The discretionary power of the Executive to change tariff rates was omitted in the federal budget law of 1938, and the powers of the Executive to legislate were definitely limited, except under conditions of national emergency, by an amendment to Article 49 of the

Constitution on August 2, 1938. The customs administrative law, however, confers on the Mexican Executive discretionary power to prohibit or restrict the importation, exportation, or transit of products considered injurious to public health, morals, or national decorum, or which affect the economic situation of the country, or endanger its peace or safety. Under this authorization, imports of various commodities have been prohibited from time to time.[1]

The present Mexican tariff - that of January 1, 1930 - came into force by executive decree under authorization granted in the budget law. The rates of this tariff were all specific, and were generally intended to include the equivalent of the former ad valorem consular fees, as well as a large proportion of the general surtaxes previously assessed on duties. A general surtax of 2 percent of the duties (for freight shipments) was retained when the tariff of 1930 was put into effect. This was increased in 1931 to 3 percent of the duties, and since then has remained unchanged. The surtax on parcel post shipments is 10 percent of the duty.

From the promulgation of the tariff of 1930 until 1938, a large number of amendments were made, practically all by executive decree under the authorization of the annual budgetary law. One of the most extensive tariff revisions was that which became effective January 28, 1937. This revision affected practically all items of the tariff, increasing duties for 633. Another comprehensive change became effective

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[1] These powers are distinct from the discretionary powers granted the Executive to change tariff rates under the annual federal budget laws prior to 1938. Executive decrees promulgated subsequent to 1938 are based upon enabling legislative enactments.

January 21, 1938, when a decree established tariff increases in 218 classifications, or about one-third of the total number of items in the Mexican tariff schedule. By a decree effective August 30, 1938, the duties on an extensive list of products, principally raw materials, were reduced to levels prevailing in 1936, or to lower rates. Exceptions were passenger automobiles on which the duties were increased, and trucks of more than four cylinders on which duties were retained at existing levels. During 1939 and 1940, import duties were increased on a number of commodities, including synthetic fibers and yarns of animal and vegetable origin, alcoholic beverages, shawls, copper wire and cable, and miscellaneous products. A decree effective March 8, 1940, established new tariff classifications covering a wide range of commodities, but only minor changes were made in the rates of duty on a few products.

In the Mexican tariff, sliding scale duties are imposed on cacao beans and gasoline. Such duties are automatically increased as the prices of these commodities in Mexico decline.[1/]

By a decree of February 17, 1940, authorization was made for the exemption of new industrial enterprises from the payment of various taxes and customs duties for a period of 5 years. The exemption

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[1/] Of the two rates provided for cacao beans, the higher one (1.90 pesos per kilogram) is double the lower rate, and is assessed when the average price of first grade Tabasco cacao in carload lots at Mexico City is 2.70 pesos per kilogram, or less. By a decree of December 14, 1932, a minimum duty on gasoline of 0.70 peso per 100 liters was established, but sliding scale duties were also provided, to be applied on the basis of average sales prices for the previous month at specified points in Mexico. By a decree of April 4, 1934, gasoline became duty-free upon proof by importers that direct transportation from local producing centers was not available, but otherwise the sliding scale duties remained applicable.

extends to import duties, including surtaxes, on imported machinery and raw materials (provided the latter are of kinds not produced in Mexico), export duties and taxes, income taxes, and stamp taxes.

For the purpose of studying tariff policy and proposing to the Minister of Finance and Public Credit, for submission to the Federal Executive, such modifications as it considers appropriate in the import and export tariffs, there is a Mexican Tariff Commission. As reorganized by a decree of August 26, 1927, the Commission consists of eight members designated by various ministries, and of one member each representing industrial, commercial, agricultural, and labor interests. Only members appointed from Government ministries may vote on matters under consideration; the other members have the right of advice or discussion, but not of voting. A member appointed from the Ministry of Finance and Public Credit is President of the Commission.

Nontariff import controls. - A general policy of import controls by nontariff measures has not been adopted by Mexico, although the withdrawal by the Bank of Mexico of its support of the peso-dollar exchange rate in March 1938, and the subsequent decline in the foreign exchange value of the peso, operated to effect a curtailment of imports. Moreover, a decree-law of June 25, 1937 (apparently held in abeyance), authorizes governmental control over the production, importation, distribution, and prices of all commodities that may be declared of fundamental importance by the Ministry of National Economy.

As a measure to stabilize the Mexican silk and rayon industries, and to prevent overproduction, a Presidential decree, effective

June 24, 1937, prohibited the importation of all silk or rayon yarn or thread and (for a period of 2 years) all machinery for weaving or knitting silk and rayon, except under prior import permits from the Ministry of National Economy. By a decree-law of December 31, 1937, increased duties on silk or rayon yarn were substituted for this prohibition, importations authorized by permit being dutiable at lower rates. Prohibition of machinery imports, except under permit, presumably remained in force.

Subsidies of 20 percent ad valorem for imports of essential commodities, payable from the proceeds of an additional export duty of 12 percent ad valorem on exported products, were authorized by a decree effective August 9, 1938. This measure was adopted at least in part to recapture for the Government the profits on export products arising out of the depreciation of the peso, and to utilize a part of the funds so obtained for facilitating the importation of essential commodities. The law is administered by a Committee on Appraisals and Subsidies to Foreign Commerce, consisting of two interdepartmental representatives, one Tariff Commission representative, and two bank representatives.[1] The Committee is empowered to select the commodities, the imports of which are to be subsidized, and is also authorized to determine periodically the valuation of export products for payment of the tax. The first import subsidy was granted for kidney beans on September 26, 1938, since domestic stocks were insufficient to meet requirements. The subsidy was granted with the proviso that the local sales price must not exceed that assigned by the Regulating Committee on the Marketing of Foodstuffs. Subsidies for specified quantities of rice were authorized by the Committee during October 1938.

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[1] One of the Bank of Mexico and one of the National Bank of Foreign Commerce.

Export duties, subsidies, and embargoes. - Export duties of various types have long been levied on a number of commodities exported from Mexico. On September 1, 1939, an entirely new system of assessing export duties and classifying export merchandise was adopted. Under the new export tariff, approximately 225 items were made subject to specific duties.[1/]

In addition to other export duties, one of 12 percent ad valorem was authorized by a decree effective August 9, 1938. This duty becomes effective when the prices of the exported commodities in Mexican currency exceed the average price during the month of February 1938. The law provides that of the income derived from the tax, 50 percent will be utilized for payment of subsidies of 20 percent ad valorem on imported products necessary to the domestic economy; the remainder is to be used by the Government in carrying out its social program. The additional export duty is not applied to products manufactured or

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[1/] Among these were live animals, various animal and fish products, hides and skins, chickpeas, beans, rice, barley, corn, wheat, coffee, certain nuts, hemp, linen, wool, ixtle, pita, jute, zazupe, aromatic and other woods, oleaginous seeds, chicle, tanning materials, fertilizers, various stones, crude petroleum and certain of its derivatives, mineral waxes, paraffin, mercury, waste metals, and electric locomotives.

produced within Mexican free zones,[1] and exported therefrom. The additional export duty on silver was abolished August 16, 1939. From time to time certain commodities have been exempted from the additional export duty.

By providing preferential treatment in the export duties on certain Mexican products exported in containers manufactured wholly or in substantial part of native fibers, the Mexican export tariff tends to restrict the use of imported packing materials.[2] By a decree of December 28, 1939, a subsidy was granted on binder twine exported by the association "Henequeneros de Yucatán," equivalent to the amount of the additional export tax levied on the product. A resolution of the Ministry of Finance and the Ministry of National Economy, effective January 9, 1940, provided for the payment of a subsidy of 0.865 peso per gross kilogram on exports of chicle (about 8 cents per pound).

Under the customs administrative law the Executive has discretionary power to prohibit the exportation of products which affect the economic situation of the country, and this authority has been utilized from time to time. Effective January 12, 1940, for example, exports of beans, rice, wheat, imported medicinal preparations, and raw materials used in the manufacture of pharmaceutical or medicinal products were prohibited, in order to safeguard domestic supplies and to avoid further price increases. The embargo on the export of medicinal products and raw materials used in their preparation was removed July 2, 1940.

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[1] In general, a free zone (free port or foreign trade zone) is an isolated, enclosed, and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ships' stores, for storing goods, and for reshipping them by land and water. It is an area within which goods may be landed, stored, mixed, blended, repacked, and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and, indeed, everything except customs.

[2] Products affected by differential export treatment (depending on the origin of containers in which exported) include coffee, sesame seed, beans, chickpeas, wheat, barley, chicle, and bean meal.

Exchange and monetary control. - Under the Monetary Law of 1932, the Bank of Mexico was authorized to regulate the currency and foreign exchange transactions. In practice, however, there have been no restrictions on the sale of exchange.

After the abandonment of the gold standard on July 25, 1931, the peso of 0.75 gram of fine gold remained the monetary unit, but the silver peso was made full legal tender. The peso fluctuated freely until July 1933, but since then it has been maintained at fixed rates with the United States dollar through the purchase and sale of dollars by the Banco de México. Until November 1933 the rate was 3.55 pesos to the dollar.[1] From that time until March 19, 1938, the rate was 3.60 pesos to the dollar.[2]

A factor affecting the stability of the Mexican currency, and consequently its foreign purchasing power, was the United States silver purchase policy, which benefited Mexico as the world's largest silver-producing country. Begun in December 1933, the program was continued under the Silver Purchase Act of 1934. From 44 cents per ounce in December 1933, the New York price of silver increased to a high of 81 cents per ounce in April 1935. During 1936 it returned to a general level of 44 or 45 cents.[1]

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[1] 1 peso = $0.2816.
[2] 1 peso = $0.2777.

While the silver purchase program brought prosperity to Mexico, it also caused monetary difficulty. The rise in the price of silver during April 1935 made it profitable to melt down Mexican silver coins for sale as bullion. As a result, the Mexican Government decreed on April 27, 1935, that all silver and silver coins in the hands of the public and the banks were State property, and required that they be turned into the Treasury in exchange for notes. The Bank of Mexico was authorized to suspend the conversion of notes into metal, and to sell exchange at the rate of 3.60 pesos per dollar. The price of silver having declined during 1936, the essential provisions of the law of April 27, 1935, were repealed on September 1, 1936, and coinage of the silver peso, 720/1000 fine, was resumed. The equivalent value of the peso was to be fixed by a later law.

By the Silver Purchase Agreement signed on January 6, 1936, the United States agreed to purchase through the Bank of Mexico practically all newly mined Mexican silver. The agreement was to remain in force until February 1, 1936, and from month to month thereafter. It was provided that the United States might terminate its silver purchases at the end of any month, by giving notification on or before the 15th of that month. The agreement was terminated on March 31, 1938, following notification by the United States Government. Thereafter the Bank of Mexico suspended gold and foreign exchange operations, and abandoned the rate of 3.60 pesos to the United States dollar. Despite the termination of the agreement, the United States has continued to make substantial purchases of silver from Mexico.

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[1] For a discussion of United States silver policy, see the section on "United States silver policy and imports from Mexico."

The withdrawal of support of the peso by the Bank of Mexico in March 1938 was followed by a decline of 20 percent or more in its foreign exchange value, which curtailed imports sharply. During the 6 months March-August, for example, United States exports to Mexico decreased 54.5 percent as compared with the corresponding period in 1937. No official rate for the peso was quoted between March 18, 1938, and February 2, 1939, when the Bank of Mexico announced that it would buy dollars at 4.985 pesos,[1] and sell at 4.99 pesos.[2] The average rate for 1939 was 5.18 pesos to the dollar;[3] that for the month of September 1940 was 4.96 pesos to the dollar.[4]

Commercial treaties and agreements. - Under the Constitution, the Executive is authorized to conclude treaties with foreign States, but is required to submit them to the Federal Congress for ratification. The Senate has exclusive authority to approve diplomatic treaties and conventions concluded by the Executive with foreign States. Mexico has unconditional most-favored-nation agreements in force with Brazil, Ecuador, the Dominican Republic, El Salvador, France, Italy, Spain, and Japan. During the period 1937-39, Mexican petroleum and petroleum products were exchanged in "barter" transactions for German, Italian, and Japanese manufactured goods. In April 1939, Mexico concluded a barter agreement with Italy providing for the exchange of Mexican petroleum for Italian rayon. The operation of these "barter" arrangements has, of course, been severely restricted by the European war which began in September 1939.

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[1] 1 peso = $0.2006.
[2] 1 peso = $0.2004.
[3] 1 peso = $0.1930.
[4] 1 peso = $0.2016.

Exports from Mexico.

Trend. - Mexican exports are predominantly of mineral products and vegetable raw materials. Significant changes in Mexican export trade during the decade 1929-38 include the decline in exports of crude petroleum, kerosene, and henequen, and the increase in exports of gasoline, lubricating oils, and bananas.

Mexican exports (including gold and silver) to all countries and to the United States, in the period 1924-38, are shown in tables 1 and 2. The equivalent dollar figures have been greatly affected by the fall in the value of the peso. Exports in 1929 were valued at 591 million pesos (285 million dollars).[1] Following the trend of world trade, they declined in 1932 to 305 million pesos (97 million dollars), or 52 percent of the 1929 peso value and 34 percent of the dollar value. All commodities except fuel oil and gold shared in the decline. The declines were most marked in the mineral products. After 1932 exports recovered, reaching 892 million pesos (248 million dollars) in 1937. In 1938, they were 838 million pesos

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[1] The year 1929 (the earliest shown in the detailed tables hereinafter presented) was not a peak year either in exports to the world as a whole or to the United States, having been exceeded, in both peso and dollar value, in each year from 1924 to 1928. In terms of dollar value, exports to the world in 1929 were about one-tenth lower than the average for the 5 years 1924-28, while exports to the United States were nearly one-fourth smaller than the 5-year average.

(185 million dollars), or 142 percent of the 1929 peso figure but only 65 percent of the 1929 dollar value. Preliminary reports indicate that Mexican exports in 1939 were valued at 914 million pesos (approximately 176 million dollars).

Table 1. - Mexico: Trade with the world, 1924-38

(Value in thousands)

Year	Exports 1/		Conversion rates: 1 peso equals	Imports	
	Pesos	United States dollars		Pesos	United States dollars
1924 ——	614,713	298,197	$0.4851	321,318	155,871
1925 ——	682,170	336,924	.4939	390,996	193,113
1926 ——	691,754	334,186	.4831	381,263	184,188
1927 ——	633,659	299,087	.4720	346,387	163,495
1928 ——	592,444	285,025	.4811	357,762	172,119
1929 ——	590,659	284,579	.4818	382,248	184,167
1930 ——	458,674	216,173	.4713	350,178	165,039
1931 ——	399,711	141,857	.3549	216,585	76,866
1932 ——	304,697	97,046	.3185	180,912	57,621
1933 ——	364,967	102,556	.2810	244,475	68,697
1934 ——	643,710	178,565	.2774	333,974	92,644
1935 ——	750,292	208,431	.2778	406,136	112,825
1936 ——	775,313	215,227	.2776	464,143	128,846
1937 ——	892,389	247,638	.2775	613,755	170,317
1938 ——	838,128	185,394	.2212	494,118	109,299

1/ Including gold and silver.

Source: Compiled by the U.S. Tariff Commission from Estadística del Comercio Exterior (1924-33 statistics), and Revista de Estadística, Julio 1939 (1934-38 statistics).

Table 2. - Mexico: Trade with the United States, 1924-38 1/

(Value in thousands)

Year	Exports 2/			Imports		
	Pesos	United States dollars	Percent of total to United States	Pesos	United States dollars	Percent of total from United States
1924 —	493,224	239,263	80.2	233,194	113,122	72.6
1925 —	516,548	255,123	75.7	274,496	135,574	70.2
1926 —	491,095	237,248	71.0	268,622	129,771	70.5
1927 —	417,221	196,928	65.8	232,835	109,898	67.2
1928 —	404,072	194,399	68.2	241,613	116,240	67.5
1929 —	358,751	172,846	60.7	264,010	127,200	69.1
1930 —	267,513	126,079	58.3	238,869	112,579	68.2
1931 —	244,431	86,749	61.2	144,584	51,313	66.8
1932 —	199,012	63,385	65.3	115,431	36,765	63.8
1933 —	174,871	49,139	47.9	146,545	41,179	59.9
1934 —	333,604	92,542	51.8	202,705	56,230	60.7
1935 —	471,203	130,900	62.8	265,348	73,714	65.3
1936 —	471,101	130,778	60.8	274,457	76,189	59.1
1937 —	501,763	139,239	56.2	381,479	105,861	62.1
1938 —	564,846	124,944	67.4	284,933	63,027	57.7

1/ For conversion rates, see table 1. Mexican statistics exclude Puerto Rico and the Philippines.

2/ Including gold and silver.

Source: Compiled by the U.S. Tariff Commission from Estadística del Comercio Exterior (1924-33 statistics), and Revista de Estadística, Julio 1939 (1934-38 statistics).

Price and quantum indexes of Mexican exports are not available. The effect of fluctuations in prices and quantities on the export trade of Mexico, however, is partially indicated by an examination of the statistics (in quantity and dollar value) for the principal Mexican export commodities (see table 3). These data suggest that the decline in the value of Mexican exports from 1929 to 1932 was due more to a decline in prices rather than to a quantitative decline in exports, and that the subsequent recovery reflects in greater degree a recovery in prices.

The outstanding feature of the Mexican export trade during the decade was a drastic quantitative decline in exports of crude petroleum, kerosene, asphalt and asphaltic emulsions, and copper, and a substantial increase in the quantity of exports of gold and silver, and of certain refined petroleum products (such as gasoline and lubricating oils). Noteworthy also was the increase in the quantity of exports of certain agricultural products, particularly bananas and coffee, and the decline in exports of chicle and henequen, although exports of binder twine made from henequen increased substantially.

Exports of crude petroleum dropped from 15.5 million barrels in 1929 to 9.7 million in 1932, a decline of more than one-third. In the same period, unit values declined by more than one-half. In terms of quantity, exports of crude petroleum continued to decline after 1932, reaching 6.8 million barrels in 1936, and 4.8 million in 1938, or about three-tenths of the quantity exported in 1929. Unit values increased by 142 percent between 1932 and 1936, but declined thereafter; in 1938 the unit value of exports of crude petroleum was approximately three-fourths of that in 1929.

In contrast with exports of crude petroleum, those of gasoline more than doubled between 1929 and 1937, increasing from 1.8 million barrels to 4.4 million. Unit values, however, declined by nearly one-half between 1929 and 1932. They recovered thereafter, and in 1936 and 1937 approached the 1929 level. In 1938, exports of gasoline fell off sharply to 2.7 million barrels, or 151 percent of the 1929 figure, and the unit value declined almost to the 1932 level.

Exports of fuel and gas oil increased from 6.1 million barrels in 1929 to 10.5 million in 1936; in 1938, however, they were slightly below the 1929 level. Unit values declined by about one-fifth between 1929 and 1932, but in 1938 were about one-tenth above the 1929 level.

Exports of kerosene dropped more than 90 percent during the decade 1929-38, declining from approximately 1.5 million barrels in 1929 to 138 thousand barrels in 1938. Unit values in 1938 were 56 percent of those in 1929. Exports of asphalt and asphaltic emulsions fluctuated considerably during the decade, ranging between 135 thousand long tons (1932) and 490 thousand long tons (1937); in 1938, they were 143 thousand. Unit values increased by nearly one-fourth between 1929 and 1932, but in 1938, they were less than three-fourths of those in 1929.

The general trend of exports of lubricating oil was downward between 1929 and 1937, exports declining irregularly from 446 thousand barrels to 401 thousand. In 1938, however, exports increased sharply to 89 thousand barrels, almost double the 1929 figure. Unit values in 1938, however, were only 48 percent of those in 1929.

The proportion of exports of lead, zinc, and copper in the form of or concentrates,and bars fluctuates sharply from year to year. Statistics of the total quantities and unit values of the exports of these metals, therefore, lack comparability and are of little significance. Exports of lead [1/] declined in value from 41 million dollars in 1929 to 6.8 million dollars in 1932. Thereafter they increased to 33.4 million dollars in 1937, but declined to 29.3 million dollars in 1938, or 71 percent of the 1929 value. The value of exports of zinc [1/] declined by about nine-tenths between 1929 and 1932 - from 29.4 million dollars to 3.2 million dollars. They increased to 23.8 million dollars in 1937, but declined to 19.4 million dollars in 1938, or 66 percent of their 1929 value. Exports of copper declined in value from 42.8 million dollars in 1929 to 4.4 million dollars in 1932. Thereafter they increased, reaching 15 million dollars in 1938, or 35 percent of the 1929 level.

During the decade 1929-38, Mexican exports of bananas increased substantially. They declined from 5.7 to 4.2 million bunches between 1929 and 1932, but in the 3 years 1936-38, average annual exports amounted to 14.5 million bunches. Unit values declined sharply between 1929 and 1932, and thereafter displayed only minor variations. Unit values in 1938 were 38 percent of those in 1929.

[1/] Ore, concentrates,and bars.

The general trend of exports of henequen was downward during the decade 1929-38. Exports increased from 255 million pounds in 1929 to 301 million in 1932. Thereafter they declined sharply, reaching 128 million in 1938. Unit values in 1932 were only slightly more than one-fourth of those in 1929, and in 1938 were still little more than one-half of those in 1929.

The decline in exports of henequen from Mexico was accompanied by a substantial increase in exports of binder twine made of henequen. Mexican exports of binder twine go largely to the United States. Such exports to the United States increased irregularly from 2.8 million pounds valued at 297 thousand dollars in 1929 to 21.7 million pounds valued at more than 1 million dollars in 1937. After 1937 they declined sharply; in 1939 they amounted to 6.2 million pounds valued at 244 thousand dollars.

Exports of chicle, which amounted to 11.2 million pounds in 1929, declined sharply to 4.4 million in 1932; they were 7.3 million in 1938, or 65 percent of the 1929 level. Unit values declined by more than one-half between 1929 and 1936, but thereafter increased. In 1938, they were 68 percent of those in 1929.

Mexican exports of coffee declined from 66 million pounds in 1929 to 44 million in 1932, but increased to 94 million in 1936. In each of the years 1937 and 1938 they amounted to 77 million pounds, or 117 percent of the 1929 figure. Unit values declined by two-thirds between 1929 and 1936, increased somewhat in 1937, and in 1938 were 31 percent of those in 1929.

There were marked fluctuations in Mexican exports of raw cotton during the decade 1929-38. Exports ranged from 17 thousand bales (1932) to 230 thousand (1936). In 1938, they were 97 thousand, as compared with 74 thousand in 1929. Unit values declined by two-thirds between 1929 and 1932, nearly doubled between 1932 and 1937, and declined in 1938 to 48 percent of the 1929 level.

Table 3. - Mexico: Exports of selected commodities, in specified years, 1929 to 1938

Commodity	1929	1932	1936	1937	1938
			Quantity		
Petroleum, crude, 1,000 bbls.	15,470	9,745	6,836	7,459	4,840
Gasoline, 1,000 bbls.	1,790	2,100	4,272	4,392	2,715
Kerosene, 1,000 bbls.	1,486	1,011	607	692	138
Fuel and gas oil, 1,000 bbls.	6,147	8,545	10,515	8,957	6,021
Lubricating oil, 1,000 bbls.	446	398	375	401	8 89
Asphalt and asphaltic emulsions, long tons	279,906	135,359	329,802	489,971	142,578
Bananas, 1,000 bunches of 50 lbs.	5,686	4,206	14,529	14,752	14,345
Henequen, 1,000 lbs. 1/	255,158	301,355	226,470	169,999	127,687
Chicle, 1,000 lbs.	11,223	4,403	6,690	8,786	7,318
Coffee, 1,000 lbs.	65,864	44,197	94,417	77,273	77,419
Cotton, raw, bales	74,167	17,397	229,752	41,466	97,308
			Value in 1,000 U.S. dollars 2/		
Petroleum, crude	15,809	4,630	7,875	7,977	3,810
Gasoline	6,024	3,790	12,943	13,605	5,016
Kerosene	3,954	2,134	1,200	1,499	204
Fuel and gas oil	5,635	6,133	12,050	11,816	6,285
Lubricating oil	5,863	3,399	3,393	3,543	556
Asphalt and asphaltic emulsions	4,794	2,855	4,777	6,609	1,771
Lead (ore, concentrates, and bars) 3/	40,902	6,817	20,537	33,432	29,253
Zinc (ore, concentrates, and bars) 3/	29,389	3,223	16,787	23,795	19,383
Copper (ore, concentrates, and unrefined metal) 3/	42,850	4,353	7,201	14,511	15,066
Bananas	3,901	1,323	4,465	4,769	3,741
Henequen 1/	15,545	4,685	10,025	9,398	4,260
Chicle	4,865	1,121	1,308	2,193	2,162
Coffee	15,506	4,576	8,019	7,746	5,683
Cotton, raw	6,228	510	12,871	2,326	3,911

See footnotes at end of table.

Table 3. - Mexico: Exports of selected commodities, in specified years, 1929 to 1938 - continued

Commodity	1929	1932	1936	1937	1938
	Unit value in U.S. dollars				
Petroleum, crude, bbl.	1.02	0.475	1.15	1.07	0.787
Gasoline, bbl.	3.37	1.80	3.03	3.10	1.85
Kerosene, bbl.	2.66	2.11	1.98	2.17	1.48
Fuel and gas oil, bbl.	.917	.718	1.15	1.32	1.04
Lubricating oil, bbl.	13.15	8.54	9.04	8.83	6.27
Asphalt and asphaltic emulsions, long ton	17.13	21.09	14.48	13.49	12.42
Bananas, bunch of 50 lbs.	.686	.315	.307	.323	.261
Henequen, lb. 1/	.061	.016	.044	.055	.033
Chicle, lb.	.434	.255	.196	.250	.295
Coffee, lb.	.235	.104	.085	.100	.073
Cotton, raw, bale	83.97	29.34	56.02	56.10	40.19

1/ Includes "cleaned" and "washed"; statistics in part III of this report, p. 176, excludes "washed" for the years 1929 and 1933.

2/ Converted at rates shown in table 1.

3/ The proportion of exports of lead, zinc, and copper in the form of ore, concentrates, and bars fluctuates considerably from year to year. Statistics of the total quantities and unit value of the exports of these metals, therefore, lack comparability, and are omitted from this table.

Source: Compiled by the U.S. Tariff Commission from Estadística del Comercio Exterior, and Revista de Estadística.

Composition. - Exports from Mexico, by principal commodities, in specified years, 1929 to 1938, are shown in pesos in table 4 and in dollars in table 5. 1/ The Mexican export classification distinguishes five main groups - raw and semiprocessed materials, precious metals, foodstuffs and beverages, live animals, and manufactured products. 2/ Tables 4 and 5 include, in terms of value, about 95 percent of total exports in 1938. The products classified as raw materials in the tables constituted nearly 46 percent of total exports in 1938. Precious metals accounted for more than 30 percent of the total, foodstuffs and beverages for a little over 6 percent, and live animals and manufactured products together for less than 2 percent.

1/ The data for 1929 and 1932 are believed to be comparable with those for 1936-38, but since no Mexican trade annuals have been published since 1933, and since subsequent data are published only in summary form, they may not be strictly so.

2/ Totals for these groups are not available; it is possible only to show totals and the percentage of total trade by individual commodities.

Table 4. - Mexico: Exports,1/ in terms of pesos, by principal commodities, in specified years, 1929 to 1938

(Value in thousands of pesos)

Commodity 2/	1929	1932	1936	1937	1938
Grand total	590,659	304,697	775,313	892,389	838,128
Raw and semiprocessed materials:					
Lead	34,893	21,404	73,979	120,476	132,246
Zinc	60,998	10,119	60,470	85,749	87,624
Petroleum and products (except asphalt and emulsions and solutions of)	77,386	63,065	134,948	138,526	71,751
Gasoline	12,502	11,900	46,625	49,029	22,676
Gas oil	6,513	5,474	17,125	20,351	17,736
Petroleum, crude	32,813	14,536	28,369	28,746	17,226
Fuel oil	5,182	13,783	26,283	22,229	10,679
Lubricants	12,170	10,672	12,223	12,768	2,514
Kerosene	8,206	6,700	4,323	5,403	921
Copper	88,938	13,668	25,942	52,293	68,112
Henequen, cleaned and washed	32,265	14,709	36,114	33,868	19,260
Cotton, raw	12,926	1,602	46,364	8,383	17,680
Chicle	10,098	3,519	4,713	7,901	9,773
Antimony	926	653	7,403	11,958	9,833
Cadmium	2,550	346	4,483	6,368	8,956
Asphalt and asphaltic emulsions	9,951	8,964	17,208	23,817	8,007
Ixtle de lechuguilla (fiber of the small maguey)	3/	172	3,737	4,135	3,315
Molybdenum	3/	14	2,964	3,472	3,059
Hides, cattle	467	230	4,214	5,819	3,083
Goat and kid skins	4,499	873	2,333	3,656	2,565
Precious metals:					
Gold	4/	33,522	130,240	127,846	131,043
Silver	93,315	34,947	114,527	127,508	107,518
Bars, mixed	-	-	-	-	15,625
Gold coin	198	28,870	-	-	-

See footnotes at end of table.

Table 4. - Mexico: Exports,1/ in terms of pesos, by principal commodities, in specified years, 1929 to 1938 - continued

(Value in thousands of pesos)

Commodity 2/	1929	1932	1936	1937	1938
Foodstuffs and beverages:					
Coffee	32,184	14,367	28,887	27,915	25,691
Bananas or plantains, fresh	8,096	4,154	16,086	17,187	16,913
Chickpeas	6,632	3,836	4,396	12,004	5,317
Vanilla	973	1,008	1,821	2,330	2,390
Tomatoes	9,841	13,450	3,578	3,025	1,974
Live animals:					
Cattle	7,314	1,878	4,300	4,706	8,722
Manufactured products:					
Henequen manufactures	990	1,428	3,115	3,364	2,334
Footwear, shoes, etc.	6	3/	206	352	1,258
Hats of palm	459	302	462	562	464
Books, periodicals, printed material, etc.	3/	3/	3/	99	486
Exports from free zones 5/	3/	3/	77	16	7,950

1/ General exports. Bullion and specie are included. Transit trade is excluded. Parcel post is included in 1929. For valuations see footnote 1, table 7. All commodities representing four-tenths of 1 percent or more of the total exports in 1938 are included. Exports from "free zones" are not included in the total, but are shown separately at the bottom of this table.

2/ Classifications employed in this table are those given in the Mexican export statistics for 1938. Groups are ranked according to value in 1938. Data for the years 1929 and 1932 are believed to be comparable in most instances, but may not be strictly so. This lack of comparability is unavoidable because Mexico has not published complete detailed trade statistics since 1933. Statistics for 1938 are revised data from Revista de Estadistica, July, 1940.

3/ Not shown separately. 4/ Less than 500. 5/ For a definition of "free zone", see section on "Export duties and subsidies."

Source: Compiled by the U. S. Tariff Commission from Estadistica del Comercio Exterior, and Revista de Estadistica.

Table 5. - Mexico: Exports,[1] in terms of dollars, by principal commodities, in specified years, 1929 to 1938

(Value in thousands of U. S. dollars)

Commodity [2]	1929 (1 peso = $0.4818) Value	 Percent of total exports	1932 (1 peso = $0.3185) Value	 Percent of total exports	1936 (1 peso = $0.2776) Value	 Percent of total exports	1937 (1 peso = $0.2775) Value	 Percent of total exports	1938 (1 peso = $0.2212) Value	 Percent of total exports
Grand total	284,579	100.0	97,046	100.0	215,227	100.0	247,638	100.0	185,394	100.0
Raw and semiprocessed materials:										
Lead	40,902	14.4	6,817	7.0	20,537	9.5	33,432	13.5	29,253	15.8
Zinc	29,389	10.3	3,223	3.3	16,787	7.8	23,795	9.6	19,383	10.5
Petroleum and products (except asphalt and emulsions and solutions of)	37,275	13.1	20,086	20.7	37,461	17.4	38,440	15.5	15,871	8.6
Gasoline	6,024	2.1	3,790	3.9	12,943	6.0	13,605	5.5	5,016	2.7
Gas oil	3,138	1.1	1,743	1.8	4,754	2.2	5,647	2.3	3,923	2.1
Petroleum, crude	15,809	5.5	4,630	4.8	7,875	3.7	7,977	3.2	3,810	2.1
Fuel oil	2,497	.9	4,390	4.5	7,296	3.4	6,169	2.5	2,362	1.3
Lubricants	5,863	2.1	3,399	3.5	3,393	1.6	3,543	1.4	556	.3
Kerosene	3,954	1.4	2,134	2.2	1,200	.5	1,499	.6	204	.1
Copper	42,850	15.1	4,353	4.5	7,201	3.3	14,511	5.9	15,066	8.1
Henequen (cleaned and washed)	15,545	5.5	4,685	4.8	10,025	4.7	9,398	3.8	4,260	2.3
Cotton, raw	6,228	2.2	510	.5	12,871	6.0	2,326	.9	3,911	2.1
Chicle	4,865	1.7	1,121	1.2	1,308	.6	2,193	.9	2,162	1.2
Antimony	446	.2	208	.2	2,055	1.0	3,318	1.3	2,175	1.2
Cadmium	1,229	.4	110	.1	1,245	.6	1,767	.7	1,981	1.1
Asphalt and asphaltic emulsions	4,794	1.7	2,855	2.9	4,777	2.2	6,609	2.7	1,771	1.0
Ixtle de lechuguilla (fiber of the small maguey)	[3]		55	.1	1,037	.5	1,148	.5	733	.4
Molybdenum	[3]		4	[4]	823	.4	963	.4	677	.4
Hides, cattle	225	.1	73	.1	1,170	.5	1,615	.7	682	.4
Goat and kid skins	2,168	.8	278	.3	648	.3	1,014	.4	567	.3
Precious metals:										
Silver	44,959	15.8	11,131	11.5	31,793	14.8	35,383	14.3	23,783	12.8
Gold	[5]	[4]	10,677	11.0	36,155	16.8	35,477	14.3	28,987	15.6
Gold coin	95	[4]	9,195	9.5	-	-	-	-	-	-
Bars, mixed (doré)	-	-	-	-	-	-	-	-	3,456	1.9

See footnotes at end of table.

Table 5. - Mexico: Exports,1/ in terms of dollars, by principal commodities, in specified years, 1929 to 1938 - continued

(Value in thousands of U. S. dollars)

Commodity 2/	1929 (1 peso = $0.4818)		1932 (1 peso = $0.3185)		1936 (1 peso = $0.2776)		1937 (1 peso = $0.2775)		1938 (1 peso = $0.2212)	
	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports
Foodstuffs and beverages:										
Coffee	15,506	5.4	4,576	4.7	8,019	3.7	7,746	3.1	5,683	3.1
Bananas or plantains, fresh	3,901	1.4	1,323	1.4	4,465	2.1	4,769	1.9	3,741	2.0
Chickpeas	3,195	1.1	1,222	1.3	1,220	.6	3,331	1.3	1,176	.6
Vanilla	469	.2	321	.3	505	.2	646	.3	529	.3
Tomatoes	4,742	1.7	4,284	4.4	993	.5	840	.3	437	.2
Live animals:										
Cattle	3,524	1.2	598	.6	1,194	.6	1,306	.5	1,929	1.0
Manufactured products:										
Henequen manufactures	477	.2	455	.5	865	.4	934	.4	516	.3
Footwear, shoes, etc.	3	4/	3/		57	4/	98	4/	278	.2
Hats of palm	221	.1	96	.1	128	.1	156	.1	103	.1
Books, periodicals, printed material, etc.	3/		3/		3/		28	4/	108	.1
Exports from free zones 6/	3/		3/		21	4/	4	4/	1,758	.9

1/ General exports. Bullion and specie are included. Transit trade is excluded. Parcel post is included in 1929. For valuations, see footnote 1, table 7. All commodities representing four-tenths of 1 percent or more of the total exports in 1938 are included. Exports from "free zones" are not included in the total, but are shown separately at the bottom of this table.

2/ Classifications employed in this table are those given in the Mexican export statistics for 1938. Groups are ranked according to value in 1938. Data for the years 1929 and 1932 are believed to be comparable in most instances, but may not be strictly so. This lack of comparability is unavoidable because Mexico has not published complete detailed trade statistics since 1933. Statistics for 1938 are revised data from Revista de Estadística, July 1940.

3/ Not shown separately. 4/ Less than one-tenth of 1 percent. 5/ Less than $500.

6/ For a definition of "free zone," see section on "Export duties and subsidies."

Source: Compiled by the U. S. Tariff Commission from Estadística del Comercio Exterior, and Revista de Estadística.

For every individual commodity shown in table 5, except fuel oil, gold, and gold coin, there was a drop in the dollar value of exports between 1929 and 1932, caused in considerable part by lower prices. The decline in the dollar value of exports of henequen was small, and exports of gold and gold coin showed very large increases. Nearly all commodities for which data are given showed marked increases in dollar value in 1937 over 1932; only kerosene, gold coin, and tomatoes were lower in value in 1937 than in 1932. For a considerable number of commodities, including gasoline, gas oil, fuel oil, antimony, cadmium, gold, and bananas, the dollar values in 1937 exceeded those in 1929. In 1938 exports of raw cotton, cadmium, cattle, and footwear increased as compared with the previous year; all others declined.

For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Lead, 71 percent; zinc, 66 percent; copper, 35 percent; gasoline, 83 percent; henequen, 27 percent; gas oil, 125 percent; raw cotton, 63 percent; crude petroleum, 24 percent; silver, 53 percent; coffee, 37 percent; and bananas, 96 percent. The dollar value of the peso, however, was less than half as high in 1938 as in 1929.

Raw materials, the most important Mexican export group, cover a wide variety of mineral and vegetable materials, and for 1938 constituted about one-half of the value of total exports. The most important commodities in this group with their shares of all exports in 1938, were lead, 16 percent; zinc, 10 percent; copper, 4.6 percent; gasoline, 2.7 percent; henequen, 2.3 percent; and gas oil, raw cotton, and crude petroleum, 2.1 percent each. Other commodities included fuel oil, chicle, antimony, cadmium, and asphalt and asphaltic emulsions, but no one of these products constituted more than 1.3 percent of total exports. In 1938, more than seven-tenths of the exports shown for the raw materials group in table 5 consisted of mineral products.

The positions of the major commodities in the raw materials group have shifted markedly since 1929. In that year, copper, rather than lead, was the leading product. While lead and zinc in 1938 accounted for approximately the same share of total exports as in 1929, copper declined from 15 percent to less than 5 percent of the total. Among the other commodities, henequen, crude petroleum, and lubricants accounted for smaller percentages of total exports in 1938 than in 1929, while gas oil, fuel oil, antimony, and cadmium accounted for larger percentages.

In 1938, the precious metals accounted for more than 30 percent of all exports from Mexico. Silver in that year constituted 13 percent of the total, as compared with 16 percent in 1929. Exports of gold, which were insignificant in 1929, increased irregularly from 11 percent of the total in 1932 to 16 percent in 1938.

The principal commodities in the foodstuffs and beverages group in 1938, with shares of total exports, were coffee, 3 percent; and bananas, 2 percent. Other products were chickpeas, vanilla, and tomatoes. These five commodities accounted for 6 percent of all exports in 1938, as compared with 10 percent in 1929 and 12 percent in 1932.

Other Mexican exports are relatively unimportant. In 1938 live animals (cattle) and exports from free zones each accounted for 1 percent of the total. Manufactured products - henequen manufactures (principally binder twine), shoes, hats, books, periodicals, and printed materials - together accounted for less than 1 percent.

Destination. - The principal destinations of Mexican exports in 1938, with the shares of the total value accounted for by each country, were the United States, 67 percent; the United Kingdom, 9 percent; Germany, 8 percent; and Belgium, 5 percent. Other purchasers of Mexican products included France, the Netherlands, the Netherlands West Indies, Japan, and Italy. Exports from Mexico to selected countries, in specified years, 1929 to 1938, are shown in pesos in table 6 and in dollars in table 7. More detailed data for 1937 are shown in table 8.

The United States is the principal market for Mexican exports. In the years shown in table 7, it took between 56 and 67 percent of the value of all exports, the share in 1938 being substantially above that in 1929. The value of United States purchases from Mexico ranged from 63 million dollars (1932) to 173 million dollars (1929); in 1938 it amounted to 125 million dollars.[1] The United Kingdom, the next most important market, absorbed between 9 and 11 percent of Mexican exports, except in 1932, when its share fell to 4 percent. The value of such exports ranged from 3.9 million dollars (1932) to 29 million dollars (1929); in 1938 it was 17.5 million dollars. Germany's share varied between 7 percent and 11 percent, and was 8 percent in 1938. German purchases ranged from 6.4 million dollars (1932) to 23.3 million dollars (1937); in 1938 they amounted to 14.3 million dollars. The share of France declined irregularly from 4 to 2 percent during the decade. In most of the years shown in table 7, Japan and Italy each took less than 1 percent of the value of all Mexican exports;[1] sales to Japan have fluctuated widely.

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[1] The dollar value of the peso in 1938 was less than half of that in 1929.

Mexican exports to other countries of Latin America form but a small part of total exports. In 1937 they were valued at 4.4 million dollars, or 1.8 percent of total exports. Cuba, Brazil, Chile, and Argentina are the most important Latin American markets for Mexican products.

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[1] The value of exports to France, Italy, and Japan varied as follows: France, from 1.8 million dollars (1932) to 11 million dollars (1929); Italy, from 492 thousand dollars (1936) to 1.2 million dollars (1938); and Japan, from 239 thousand dollars (1932) to 5.1 million dollars (1936).

Table 6. - Mexico: Foreign trade with selected countries, in terms of pesos, in specified years, 1929 to 1938

(Value in thousands of pesos)

Country	1929	1932	1936	1937	1938
Exports to:[1]					
All countries	590,659	304,697	775,313	892,389	838,128
UNITED STATES	358,751	199,012	471,101	501,763	564,846
United Kingdom	60,686	12,094	67,857	98,582	79,054
Germany	44,858	19,999	82,231	83,884	64,454
Japan	1,395	750	18,485	10,420	3,591
Italy	2,301	1,549	1,774	3,632	5,439
France	22,947	5,563	16,142	21,108	19,114
All other countries	99,721	65,730	117,723	173,000	[2] 101,630
Imports from:[3]					
All countries	382,248	180,912	464,143	613,755	494,118
UNITED STATES	264,010	115,431	274,457	381,479	284,933
United Kingdom	25,648	14,336	23,709	28,559	20,161
Germany	30,742	20,565	71,444	98,622	93,437
Japan	1,387	650	7,325	10,769	8,771
Italy	3,479	1,787	2,020	6,015	9,610
France	19,253	10,034	16,770	20,261	19,946
All other countries	37,729	18,109	68,418	68,050	[2] 57,260

[1] General exports. Bullion and specie are included. Transit trade and parcel post are excluded. For valuations, see footnote 1, table 7.

[2] Includes trade with the following countries:

Exports to:	Pesos (1,000)
Belgium	39,066
Netherlands	16,520
Netherlands West Indies	8,844
Denmark	6,060

Imports from:	Pesos (1,000)
Sweden	11,641
Switzerland	7,912
Belgium	6,984
Canada	5,155

[3] General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For values, see footnote 3, table 7.

Source: Compiled by the U. S. Tariff Commission from Estadística del Comercio Exterior, and Revista de Estadística.

Table 7. - Mexico: Foreign trade with selected countries, in terms of dollars, in specified years, 1929 to 1938

(Value in thousands of U. S. dollars)

Country	1929		1932		1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Exports to:1/	(1 peso = $0.4818)		(1 peso = $0.3185)		(1 peso = $0.2776)		(1 peso = $0.2775)		(1 peso = $0.2212)	
All countries	284,579	100.0	97,046	100.0	215,227	100.0	247,638	100.0	185,394	100.0
UNITED STATES	172,846	60.7	63,385	65.3	130,778	60.8	139,239	56.2	124,944	67.4
United Kingdom	29,239	10.3	3,852	4.0	18,837	8.7	27,357	11.0	17,487	9.4
Germany	21,613	7.6	6,370	6.6	22,827	10.6	23,278	9.4	14,257	7.7
Japan	672	.2	239	.2	5,132	2.4	2,892	1.2	794	.4
Italy	1,109	.4	493	.5	492	.2	1,008	.4	1,203	.7
France	11,056	3.9	1,772	1.8	4,481	2.1	5,857	2.4	4,228	2.3
All other countries	48,044	16.9	20,935	21.6	32,680	15.2	48,007	19.4	2/ 22,481	12.1
Imports from:3/	(1 peso = $0.4818)		(1 peso = $0.3185)		(1 peso = $0.2776)		(1 peso = $0.2775)		(1 peso = $0.2212)	
All countries	184,167	100.0	57,621	100.0	128,846	100.0	170,317	100.0	109,299	100.0
UNITED STATES	127,200	69.1	36,765	63.8	76,189	59.1	105,861	62.1	63,027	57.7
United Kingdom	12,357	6.7	4,566	7.9	6,582	5.1	7,925	4.6	4,460	4.1
Germany	14,812	8.0	6,550	11.4	19,833	15.4	27,368	16.1	20,668	18.9
Japan	668	.4	207	.4	2,033	1.6	2,988	1.8	1,940	1.8
Italy	1,676	.9	569	1.0	561	.4	1,669	1.0	2,126	1.9
France	9,276	5.0	3,196	5.5	4,655	3.6	5,622	3.3	4,412	4.0
All other countries	18,178	9.9	5,768	10.0	18,993	14.8	18,884	11.1	2/ 12,666	11.6

1/ General exports. Bullion and specie are included. Transit trade and parcel post are excluded. Export values are invoice values, f.o.b., except in the case of petroleum and metals. Petroleum and its derivatives are valued on the basis of the average monthly prices quoted in New York, minus the export tax, transportation cost, and other expenses. The value of metals in the exports is the arithmetical average of the daily quotations for each month in the New York market, converted to national currency at the monthly average dollar quotations.

2/ Includes trade with the following countries:

Exports to:	U.S. dollars (1,000)	Percent of total
Belgium	8,641	4.7
Netherlands	3,654	2.0
Netherlands West Indies	1,956	1.1
Denmark	1,340	.7

Imports from:	U.S. dollars (1,000)	Percent of total
Sweden	2,575	2.4
Switzerland	1,750	1.6
Belgium	1,545	1.4
Canada	1,140	1.0

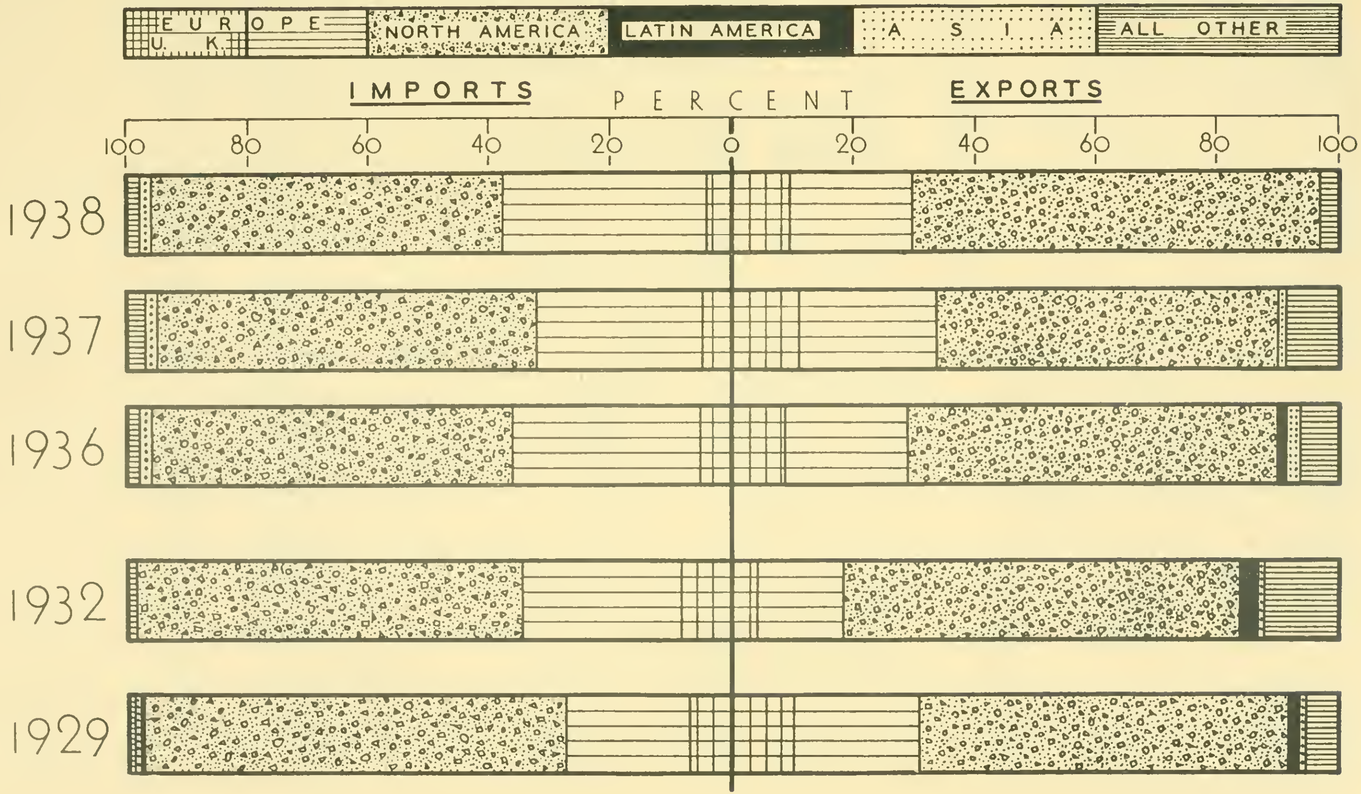
3/ General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. Import values are invoice values c.i.f. Mexican port.

Source: Compiled by the U. S. Tariff Commission from Estadística del Comercio Exterior and Revísta de Estadística.

MEXICO

PERCENTAGE DISTRIBUTION OF IMPORTS AND EXPORTS

1929, 1932, 1936-1938



U.S. Tariff Commission July, 1940

Table 8. - Mexico: Foreign trade, by geographic areas and principal countries, in 1937

(Value in thousands of U.S. dollars)

Exports 1/ (1 peso = $0.2775)		
Exported to -	Value	Percent of total trade
Western Hemisphere:		
UNITED STATES	139,239	56.2
Canada	91	2/
Netherlands West Indies	11,339	4.6
Bahama Islands	2,073	.8
All other Western Hemisphere countries	5,106	2.1
Total	157,848	63.7
Europe:		
United Kingdom	27,357	11.0
Germany	23,278	9.4
France	5,857	2.4
Italy	1,008	.4
Belgium	11,342	4.6
Netherlands	7,000	2.8
All other European countries	8,050	3.3
Total	83,892	33.9
Asia:		
Japan	2,892	1.2
All other Asiatic countries	421	.1
Total	3,313	1.3
Africa	469	.2
Oceania	1,976	.8
Other countries	140	.1
Grand total	247,638	100.0

Imports 1/ (1 peso = $0.2775)		
Imported from -	Value	Percent of total trade
Western Hemisphere:		
UNITED STATES	105,861	62.1
Canada	1,839	1.1
Bolivia	2,100	1.2
Argentina	543	.3
All other Western Hemisphere countries	627	.4
Total	110,970	65.1
Europe:		
United Kingdom	7,925	4.6
Germany	27,368	16.1
France	5,622	3.3
Italy	1,669	1.0
Sweden	2,417	1.4
Switzerland	2,370	1.4
All other European countries	7,313	4.3
Total	54,684	32.1
Asia:		
Japan	2,988	1.8
All other Asiatic countries	501	.3
Total	3,489	2.0
Africa	225	.1
Oceania	531	.3
Other countries (not listed)	418	.3
Grand total	170,317	100.0

1/ General exports; bullion and specie are included, but parcel post and transit trade is excluded. General imports; bullion, specie, and parcel post are included, but transit trade is excluded. For valuations, see footnotes 1 and 3, table 7.

2/ Less than one-tenth of 1 percent.

Source: Compiled by the U.S. Tariff Commission from Revista de Estadística, July 1939.

In 1938 practically all Mexican exports of silver, gold, copper, and bananas, and approximately 90 percent (in terms of value) of those of chicle and henequen, went to the United States. The United States was also the leading purchaser of Mexican coffee (70 percent) and cotton (40 percent).[1] Germany, with 22 percent of the total, was the second ranking market for coffee. Other purchasers of cotton in 1938, with their share of total exports, were Italy, 19 percent; Germany, 15 percent; and the United Kingdom, 12 percent.

Mexican exports of lead and zinc go to a large number of markets. In 1938 the United Kingdom was the leading purchaser of lead, taking 23 percent of total exports. It was followed by Belgium, with 22 percent; Germany, with 19 percent; France, with 10 percent, and the Netherlands, with 6 percent. Exports of zinc in 1938 went to Belgium (30 percent), Germany (26 percent), France (13 percent), and Japan (3 percent). The United Kingdom was the principal purchaser of mercury in 1938, taking 46 percent of the total.

Mexican exports of petroleum and products in 1938 went principally to the following countries: Crude petroleum, the United States (nearly 50 percent of the total value);[2] fuel and gas oil, the United Kingdom (nearly 50 percent); gasoline, the United Kingdom (over 45 percent);

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[1] Mexican cotton, which is of the short-staple variety, enters the United States free of duty. Large quantities of cotton exported by Mexico to countries other than the United States pass through the United States in transit. In many years this has caused a considerable discrepancy between statistics of Mexican exports of cotton to the United States and United States statistics of imports of cotton from Mexico. No data are available to show what proportion of Mexican cotton imported into the United States for consumption actually remains in this country. Under a general quota in effect since September 1939, United States imports (for consumption) of cotton from Mexico are limited to 8,883,259 pounds (equivalent to 18,584 bales of 478 pounds net) for each 12-month period beginning September 20.

[2] See the discussion on imports of petroleum in the section "United States Trade with Mexico."

kerosene, the United Kingdom (over 70 percent); and lubricating oil, the United Kingdom and the Bahama Islands (84 percent). Asphalt in this year went to a variety of markets, including, in the order of their importance, Australia, the United Kingdom, France, Germany, Sweden, and Belgium.

Imports into Mexico.

Trend. - The most notable features of the Mexican import trade in the decade 1929-38 were the decline in the share of total imports supplied by the United States, the increasing importance of Germany as a supplier and (in recent years) the decline in the share of total imports accounted for by automobiles, trucks, accessories, and parts.

Imports into Mexico from all countries and from the United States, in the period 1924-38, have already been shown in tables 1 and 2.[1/] Total imports into Mexico in 1929 were valued at 382 million pesos (184 million dollars). In 1932, they declined to 181 million pesos (58 million dollars), or 47 percent of the 1929 peso value and 31 percent of the dollar value. They amounted in 1937 to 614 million pesos (170 million dollars), or 160 percent of the 1929 peso figure and 59 percent of the dollar value. In 1938 they declined to 494 million pesos (109 million dollars). Preliminary reports indicate that imports in 1939 increased to 630 million pesos (approximately 122 million dollars).

[1/] The year 1929 (the earliest year shown in the detailed tables) was not a peak year either in imports from the world as a whole or from the United States, having been exceeded in 1925 and 1926. The dollar value of imports from the world as a whole in 1929, however, was about 6 percent larger than the average for the 5 years 1924-28. Imports from the United States in 1929 were 5 percent greater than the 5-year average.

Price and quantum indexes of Mexican imports are not available. A price index for 38 import commodities in terms of pesos, however, gives the following trend for the years 1936-39 (taking 1934 as a base): 1936 - 108.1; 1937 - 119.3; 1938 - 104.8; and 1939 - 101.6.[1] In terms of dollars, the figures for 1938 and 1939 would be much lower because of the decline in the dollar value of the peso in 1938. In general, the peso prices of imports have shown less fluctuation since 1929 than the peso prices of exports.

Composition. - Imports into Mexico, by principal commodities, in the years 1936 to 1938, are shown in pesos in table 9, and in dollars in table 10.[2] Because of successive changes in the import classifications, it has not been practicable to include data for 1929 and 1932. Imports into Mexico consist largely of manufactured products, raw and semimanufactured materials, and machinery, apparatus, and tools.

A tabulation of imports in 1938 by certain major groups[3] showed that machinery, apparatus, tools, and vehicles accounted for 33 percent of total imports in that year. Mineral products constituted 18 percent of total imports; vegetable products, 15 percent; chemical products, 13 percent; animal products, 5 percent; yarn and textiles, 5 percent; textile manufactures, 1 percent; and products of "other" industries, 10 percent.

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[1] Banco de México, S. A., Decimaoctava Asamblea General Ordinaria de Accionistas, 1940, p. 55.

[2] Totals for imports by groups are not available; it is possible to show only totals and percentages of total imports by individual commodities. Table 10 includes all commodities representing four-tenths of 1 percent or more of total imports in 1938, but only about 40 percent of Mexican imports in that year are covered. Individual commodities other than those mentioned in table 10 are shown in the Mexican import statistics, but they constitute such small percentages of the total, and are so numerous, that it is impracticable to list them. Moreover, in the Mexican import statistics a large proportion of the total is included in the classification "all other."

[3] Pan American Union, Mexico, Foreign Trade Series No. 175, 1939.

In 1938 the most important item in the large and inclusive manufactured products group was automobiles, accessories, and parts, which accounted for more than 6 percent of total Mexican imports. Other items, none of which reached 2 percent of the total in that year, included tubes, piping, and couplings of iron and steel; colors derived from coal tar; cotton cloth; capsules, pills, and tablets; injectable solutions and preparations; newsprint; and sheet iron and steel. The share of automobiles, accessories, and parts in 1938, as well as that for tubes, piping, and couplings of iron and steel, represented a substantial decline from those in 1936 and 1937.

Table 9. - Mexico: Imports,[1] in terms of pesos, by principal commodities, 1936, 1937, and 1938 [2]

(Value in thousands of pesos)

Commodity [3]	1936	1937	1938
Grand total	464,143	613,755	494,118
Manufactured products (other than machinery, etc.):			
Automobiles, passenger and truck, and accessories and parts	50,547	71,321	31,442
Passenger cars	25,957	30,969	14,236
Trucks	18,290	30,969	11,299
Chassis, pneumatic rubber tirss, and motors for automobiles	6,300	9,383	5,908
Tubes, piping, and couplings of iron and steel	11,536	20,338	7,627
Colors derived from coal tar	4,944	5,908	6,980
Cotton cloth	[4]	7,566	5,845
Capsules, pills, and tablets, etc.	4,479	5,520	5,725
Injectable solutions and preparations	4,317	5,672	5,723
Newsprint paper for periodicals	2,286	4,290	5,432
Sheet iron and steel	6,318	9,802	5,193
Apparatus for radio sets	5,038	8,183	4,054
Drugs and pharmaceutical specialties, n.s.m.	2,837	3,609	3,403
Wool cloth	[4]	2,261	2,392
Semimanufactures:			
Rayon, in yarn or floss	10,832	13,575	14,755
Pulp for the manufacture of paper	3,883	6,683	6,227
Tin plate	5,487	6,453	5,749
Wool, carded	3,886	4,725	4,838
Hides and skins, tanned	4,009	5,148	4,078
Paper and cardboard, unfinished	5,574	5,760	3,828
Black alkaline cyanide, in flakes	2,785	2,674	3,609
Lubricating oils and greases	3,122	4,180	3,409
Caustic soda	2,713	2,765	3,400
Acetyl-salicylic acid	1,432	1,462	3,292
Paraffin	1,341	2,832	2,606
Cigarette paper	1,229	1,758	1,956
Machinery, apparatus, and tools:			
Iron parts for machinery	8,383	11,566	11,776
Accessories for the installation of machinery	3,769	5,654	6,969
Electric generators and motors	3,349	3,377	3,616
Agricultural implements	2,549	2,421	2,170
Sewing machines	3,949	6,179	1,798
Tractors	3,205	4,474	1,602
Raw materials:			
Copra	6,852	13,946	7,382
Fuel oil	1,967	3,933	4,459
India rubber, crude	3,266	6,516	4,297
Hops	986	1,343	1,973
Foodstuffs and beverages:			
Wheat	17	870	14,163
Corn	3	454	3,219
Liquors and spirits	2,650	2,770	2,981
Hog lard and compound lard	474	2,690	2,204
Fish and shellfish, in cans	998	1,219	1,773
Olive oil	1,044	1,776	1,762
Imports into free zones [5]	6,919	17,355	21,291

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[1] General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For valuations, see footnote 3, table 7. All commodities representing four-tenths of 1 percent or more of the total imports in 1938 have been compiled. Imports into "free zones" are not included in the totals, but are shown separately at the bottom of this table.

[2] Because of the successive changes in the Mexican import classifications, it has not been practicable to include data for 1929 and 1932; in those years imports were valued at 382,248,000 pesos and 180,912,000 pesos, respectively.

[3] Classifications employed in this table are those given in the Mexican import statistics for 1938. Groups are ranked according to value in 1938. Statistics for 1938 are revised data from Revista de Estadística, July 1940.

[4] Not shown separately.

[4] Not shown separately.

[5] For a definition of "free zone," see section on "Export duties and subsidies."

Source: Compiled by the U. S. Tariff Commission from Revista de Estadística.

Table 10. - Mexico: Imports,[1] in terms of dollars, by principal commodities, 1936, 1937 and 1938[2]

(Value in thousands of U.S. dollars)

Commodity [3]	1936 (1 peso = $0.2776)		1937 (1 peso = $0.2775)		1938 (1 peso = $0.2212)	
	Value	Percent of total imports	Value	Percent of total imports	Value	Percent of total imports
Grand total	128,846	100.0	170,317	100.0	109,299	100.0
Manufactured products (other than machinery, etc.):						
Automobiles, passenger and truck, and accessories and parts	14,032	10.9	19,792	11.6	6,955	6.4
Passenger cars	7,206	5.6	8,594	5.0	3,149	2.9
Trucks	5,077	3.9	8,594	5.1	2,499	2.3
Chassis, pneumatic rubber tires, and motors for automobiles	1,749	1.4	2,604	1.5	1,307	1.1
Tubes, piping, and couplings of iron and steel	3,202	2.5	5,644	3.3	1,687	1.5
Colors derived from coal tar	1,372	1.1	1,640	1.0	1,544	1.4
Cotton cloth	[4]		2,100	1.2	1,293	1.2
Capsules, pills, and tablets, etc.	1,243	1.0	1,532	.9	1,266	1.2
Injectable solutions and preparations	1,198	.9	1,574	.9	1,266	1.2
Newsprint paper for periodicals	635	.5	1,191	.7	1,202	1.1
Sheet iron and steel	1,754	1.4	2,720	1.6	1.149	1.1
Apparatus for radio sets	1,398	1.1	2,271	1.3	897	.8
Drugs and pharmaceutical specialties, n.s.m.	787	.6	1,002	.6	753	.7
Wool cloth	[4]		627	.4	529	.5
Semimanufactures:						
Rayon, in yarn or floss	3,007	2.3	3,767	2.2	3,264	3.0
Pulp for the manufacture of paper	1,078	.8	1,854	1.1	1,377	1.3
Tin plate	1,523	1.2	1,791	1.1	1,272	1.2
Wool carded	1,079	.8	1,311	.8	1,070	1.0
Hides and skins, tanned	1,113	.9	1,428	.8	902	.8
Paper and cardboard, unfinished	1,547	1.2	1,598	.9	847	.8
Black alkaline cyanide, in flakes	773	.6	742	.4	798	.7
Lubricating oils and greases	867	.7	1,160	.7	754	.7
Caustic soda	753	.6	767	.4	752	.7
Acetyl-salicylic acid	397	.3	406	.2	728	.7
Paraffin	372	.3	786	.5	576	.5
Cigarette paper	341	.3	488	.3	433	.4
Machinery, apparatus, and tools:						
Iron parts for machinery	2,327	1.8	3,210	1.9	2,605	2.4
Accessories for the installation of machinery	1,046	.8	1,569	.9	1,542	1.4
Electric generators and motors	930	.7	937	.5	800	.7
Agricultural implements	708	.5	672	.4	480	.4
Sewing machines	1,096	.8	1,715	1.0	398	.4
Tractors	890	.7	1,241	.7	354	.3
Raw materials:						
Copra	1,902	1.5	3,870	2.3	1,633	1.5
Fuel oil (combustible petroleum)	546	.4	1,091	.6	986	.9
India rubber, crude	907	.7	1,808	1.1	951	.9
Hops	274	.2	373	.2	437	.4
Foodstuffs and beverages:						
Wheat	5	[5]	241	.1	3,133	2.9
Corn	1	[5]	126	.1	712	.7
Liquors and spirits	736	.6	769	.5	659	.6
Hog lard and compound lard	132	.1	747	.4	488	.4
Fish and shellfish, in cans	277	.2	338	.2	392	.4
Olive oil	290	.2	493	.3	390	.4
Imports into free zones [6]	1,921	1.5	4,816	2.8	4,710	4.3

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[1] General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For valuations, see footnote 3, table 7. All commodities representing four-tenths of 1 percent or more of the total imports in 1938 have been compiled. Imports into "free zones" are not included in the totals, but are shown separately at the bottom of this table.

[2] Because of successive changes in the Mexican import classifications, it has not been practicable to include data for 1929 and 1932; for those years imports were valued at $184,167,000 and $57,621,000, respectively. For conversion rates, see table 1.

[3] Classifications employed in this table are those given in the Mexican import statistics for 1938. Groups are ranked according to value in 1938. Statistics for 1938 are revised data from Revista de Estadística, July 1940.

[4] Not shown separately.

[5] Less than one-tenth of 1 percent.

[6] For a definition of "free zone," see section on "Export duties and subsidies."

Source: Compiled by the U. S. Tariff Commission from Revista de Estadística.

The imports shown for the group of semimanufactures underwent little change in relative importance in the years 1936-38. The most important single commodities in 1938 were rayon, in yarn or floss; pulp, for paper manufacture; tin plate; and carded wool. Other products in this group each represented less than 1 percent of the value of total imports (see table 10).

In the machinery, apparatus, and tools group, the only individual commodities accounting for more than 1 percent of total imports in 1938 were iron parts for machinery, and accessories for the installation of machinery. Imports of both of these items increased between 1936 and 1938. Other products included in this classification are electric generators and motors, agricultural implements, tractors, and sewing machines.

The remaining Mexican import groups are composed of raw materials, and foodstuffs and beverages. In 1938, the most important crude materials were copra, fuel oil, and crude rubber. No single commodity in the foodstuffs and beverages group constituted as much as 1 percent of total imports. The most important items were liquors and spirits, hog lard and compound lard, olive oil, and canned fish and shellfish (see table 10).

Sources.[1/] - The principal suppliers of Mexican imports in 1938, with the shares of the value supplied by each, were the United States,

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[1/] A satisfactory analysis of commodities imported into Mexico for years subsequent to 1933, by countries of origin, is impracticable because only the principal imports are listed under each country; since there is no complete listing of commodities by countries of origin, it is not possible in many cases to compare the quantities furnished by the various supplying countries.

58 percent; Germany, 19 percent; the United Kingdom, 4 percent; and France, 4 percent. Other sources included Sweden, Italy, Japan, Switzerland, Belgium, and Canada. Imports into Mexico from selected countries, in specified years, 1929 to 1938, have already been shown in pesos in table 6 and in dollars in table 7. More detailed data for 1937 are shown in table 8.

The significant features of the distribution of Mexican imports in the period 1929-38 are the decline in the importance of the United States, and the increasing importance of Germany. The United States was by far the principal supplier of Mexican imports throughout the decade; its share in the trade, however, declined irregularly from 69 percent in 1929 to 58 percent in 1938. The value of Mexican purchases from the United States ranged from 37 million dollars (1932) to 127 million dollars (1929); in 1938 they amounted to 63 million dollars.[1/]

The share of Germany increased regularly from 8 percent (1929) to 19 percent (1938). Mexican purchases from Germany ranged in value from 6.6 million dollars (1932) to 27.4 million dollars (1937); in 1938 they amounted to 20.7 million dollars. The proportion of the value of Mexican imports furnished by the United Kingdom decreased, falling irregularly from 7 percent in 1929 to 4 percent in 1938; the value ranged from 4.6 million dollars (1932) to 12.4 million dollars

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[1/] Converted from the peso figures at the average annual rate of exchange which was less than half as high in 1938 as in 1929.

(1929) and in 1938 was 4.5 million dollars. France's share, which was 5 percent in both 1929 and 1932, declined to 3 percent in 1937, and increased to 4 percent in 1938. The shares of Italy and Japan, which were each less than 1 percent in 1929, increased to nearly 2 percent in 1938.[1]

Imports into Mexico from other countries of Latin America constitute but a small part of total imports. In 1937 they amounted to 3 million dollars, or 1.8 percent of total imports. The most important Latin American suppliers in 1937 were Bolivia and Argentina.

In terms of value, the largest single item in imports from the United States in 1938 was automobiles, trucks, and chassis, which accounted for 9 percent of total imports from this country. Practically all Mexican imports of automobiles, trucks, and chassis come from the United States. Other principal imports from the United States, with percentage of total imports from that country, were grains, 6 percent; petroleum and products, 5 percent; and copra, 2 percent. Other imports, in the order of their importance, included tubes of iron and steel, foundations for machinery, caustic soda, radios, hand tools, alkaline cyanides, tractors, electric generators and motors, plows, and canned vegetable foodstuffs.

Five commodities or groups of commodities accounted in 1938 for nearly one-sixth of total imports from Germany. These were paints and varnishes (5.3 percent), hand tools (3.5 percent), foundations for machinery (3.4 percent), tubes of iron and steel (2.8 percent), and cable of common metal (1.3 percent). Other commodities included hops, cotton stockings and socks, and malt.

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[1] The value of imports from France, Italy, and Japan varied as follows: France, from 3.2 million dollars (1932) to 9.3 million dollars (1929); Italy, from 561 thousand dollars (1936) to 2.1 million dollars (1938); and Japan, from 207 thousand dollars (1932) to 3 million dollars (1937).

No countries other than the United States and Germany accounted in 1938 for more than about 4 percent of total imports into Mexico. Other countries, with the chief imports from each, were: The United Kingdom, cotton thread, carded wool, and cotton cloth; France, medicinal products, wines and liquors, carded wool, and perfumes; Sweden, wood pulp, wire and cable for electrical transmission, and telephone apparatus; Italy and Japan, rayon yarn; Switzerland, watches, and paints and varnishes; Belgium, carded wool; Canada, alkaline cyanides and barley; the Netherlands, cheese; Czechoslovakia, costume jewelry; and Spain, wines, liquors, cider, and olive oil.

United States Trade with Mexico

Mexico is the only Latin American country having a common border with the United States. Although this contiguity has resulted in some specialized border trade and has contributed materially to the volume of tourist travel,[1] particularly since the recent completion of that section of the Pan American Highway connecting the United States and central Mexico, it has contributed little to the commerce between the two countries. This is partly because in neither Mexico nor the United States is the region near the border a principal center of production or consumption. Much of the merchandise moves by water.[2] Proximity to the United States, however, has been a factor in the trade with Mexico as with other nearby countries in or adjacent to the Caribbean, inasmuch as this country is the nearest and greatest market for the tropical foodstuffs and industrial raw materials of this region. Although Mexican ports on the Gulf are only short distances from United

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[1] Measured in terms of expenditures by travelers, the volume of travel between the United States and Mexico is greater than that between the United States and any other country of Latin America.

[2] In 1938, United States merchandise trade with Mexico was distributed among customs districts as follows:

	United States imports for consumption	United States exports (including reexports)
	(Thousands of dollars)	
New York	13,742	15,925
San Antonio	4,876	23,249
New Orleans	7,487	4,944
El Paso	2,806	6,740
San Diego	2,584	4,243
Arizona	2,001	3,254
Other districts	8,987	3,661
Total	42,483	62,016

States ports on the Gulf, New York and other North Atlantic points are no closer to the principal business centers of Mexico than to those of Colombia or Venezuela.

Other factors in the trade between the United States and Mexico more important than proximity have been the complementary nature of their economies, Mexico's rich mineral resources, the established trade routes, and the large direct investments of the United States in Mexico's principal export industries. Mexico, being a country chiefly dependent on agriculture and mining, has been the source for the United States of large quantities of minerals, particularly silver, gold, and petroleum, and lesser quantities of foodstuffs and other raw vegetable materials. The United States has been by far the principal market for Mexican exports, and, being a leading industrial nation, this country has been for Mexico the source of a wide range of manufactured products. United States direct investments in Mexico, the third largest in Latin America (following those in Cuba and Chile), have also been of great importance in the trade, inasmuch as a substantial part of United States imports from that country are the products of United States-owned enterprises,[1] and the exports to Mexico include considerable equipment and supplies for such concerns.

Since 1932 the commerce between the United States and Mexico has been affected by a series of unusual economic and political developments in both countries. These developments have been based on governmental action and have had to do mainly with the trade in silver, gold, and petroleum, three of Mexico's largest export products. In the spring of 1933 the United States departed from the gold standard; this was followed by the devaluation and stabilization of the dollar in the beginning of 1934 at approximately 59 percent of its former value in terms of gold. The great increase in the price of gold in terms of dollars encouraged its production abroad for sale to the United States. By this action the substantial amounts of gold sold to the United States by Mexico were increased in dollar value by nearly 70 percent, apart from any change in quantity. Shortly after the devaluation of the dollar, the United States Government adopted a policy designed to raise the price of silver and initiated an extensive silver purchase program which caused silver prices to advance rapidly. The effect of this program upon the value of silver shipped to the United States from Mexico, the world's largest producer of that metal, was especially great.

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[1] In recent years nearly three-fourths of Mexico's total exports have been controlled predominantly by foreign capital. See the Eighteenth Report of the Bank of Mexico, 1940, p. 53.

Whereas the policies of the United States Government affecting silver and gold served to increase greatly the value of the commerce between the United States and Mexico, the expropriation of the foreign-owned petroleum companies by the Mexican Government in 1938 operated to decrease it. The institutional framework of Mexico's economic organization has undergone a marked change since 1910, and more especially since 1933. The essential features of this change have been (1) the expropriation and distribution of land (domestic and foreign owned) among the peasants, (2) extensive social legislation designed to improve labor conditions, (3) improvements in educational facilities, sanitation, irrigation, and communication, and (4) the progressively increased regulation, or (in some cases) expropriation of foreign-owned enterprises.[1] The last of these has been of greatest importance in terms of United States-Mexican commerce, particularly because the foreign companies affected have accounted for a substantial part of the commerce between the two countries. Thus, following the Mexican Government's expropriation of the properties of the petroleum companies (some of the largest of which were United States concerns), there was a sharp decline in United States imports of petroleum and petroleum products from Mexico, inasmuch as shipments from the former subsidiaries to the parent companies in the United States practically ceased. More recently, shipments increased as new marketing arrangements were made.

Trend of United States-Mexican trade.

United States imports from Mexico. - During the middle 1920's aggregate imports from Mexico, including silver and gold,[2] averaged more than 220 million dollars annually, and exceeded United States imports from any other Latin American country except Cuba. With the general decline in metal prices (except for gold) beginning in 1926, imports dropped steadily to a low in 1933 of only 53 million dollars, or 23 percent of their value in the peak year 1926. After 1933, imports from Mexico advanced, reaching 130 million dollars in 1937, the highest since 1929. In 1939 they were 122 million dollars (see table 11). In the first 12 months after the outbreak of the European war (September 1939), merchandise imports from Mexico rose materially and were nearly 50 percent larger than in the preceding 12 months. Imports of gold and silver, however, declined in value in the same period - gold imports fell 12 percent and silver 17 percent.

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[1] For a detailed discussion, see "National economic policy and the Six-Year Plan" above.

[2] In United States statistics of foreign trade, gold and silver bullion and coin are excluded from the figures for merchandise and shown separately. The imports of gold from many countries, and to some extent also of silver, arise from the settlement of international balances. In the case, however, of imports of gold and silver from countries which are large producers of those metals, the trade is essentially in the nature of merchandise.

Imports of merchandise from Mexico increased appreciably after 1933, but United States imports of Mexican silver and gold, as a result of the silver purchase program and the devaluation of the dollar, increased even more. Although silver customarily is the largest import from Mexico, in several recent years the value of imports of gold has exceeded that of silver. Moreover, recent imports of silver from Mexico have been only somewhat larger in terms of value than during most of the 1920's, whereas imports of gold have been several times larger. In the period 1924-28, gold represented only 4 percent of the total value of imports from Mexico, but rose to 28 percent of the total in the last 6 years, 1934-39. During the same interval imports of silver increased from 20 percent to 31 percent of the total, whereas merchandise fell from 76 percent to 41 percent.

Mexico's recent share in total United States imports from Latin America (including gold and silver) has been somewhat larger than during the depression years, but about the same as during the 1920's (see table 11). Exclusive of gold and silver, however, Mexico's recent participation in United States purchases from Latin America has been materially smaller than before 1929. Merchandise from Mexico in 1939 represented 11 percent of such imports from Latin America as a whole, compared with an average of 17 percent for the years 1924-26 .

Table 11. - United States imports from and exports to Mexico, 1924-39, and in the first 12 months of the European war

(Value in thousands of dollars)

Year	General imports					Exports (including reexports) [1]	
	Merchandise	Silver	Gold	Total	Total imports from Mexico as percent of United States imports from Latin America [2]	Value	Percent of total United States exports to Latin America
1924	167,087	45,828	5,459	218,374	19.2	135,075	18.3
1925	178,835	41,458	5,097	225,390	21.0	144,720	17.1
1926	169,306	35,394	23,913	228,613	19.8	134,994	16.2
1927	137,815	34,396	6,001	178,212	17.3	109,148	13.6
1928	124,514	45,191	4,610	174,315	17.0	115,654	13.9
1929	117,738	40,511	9,174	167,423	14.4	133,863	14.7
1930	80,293	24,897	20,805	125,995	14.3	116,135	18.5
1931	47,612	16,035	25,319	88,966	12.6	52,366	16.8
1932	37,423	10,750	20,407	68,580	17.5	32,527	16.7
1933	30,716	17,590	4,859	53,165	15.2	37,521	17.4
1934	36,495	22,506	30,388	89,389	19.4	55,061	17.9
1935	42,467	63,686	14,583	120,736	20.7	65,574	19.0
1936	48,938	30,447	40,664	120,049	19.5	76,041	19.3
1937	60,120	30,802	39,250	130,172	16.4	109,450	18.9
1938	49,030	42,375	37,168	128,573	21.1	62,016	12.5
1939 [3]	56,319	31,773	33,816	121,908	18.7	83,177	14.6
12 mos. Sept.-Aug.: [3]							
1938-39	50,606	31,428	33,641	115,675	18.4	70,200	14.3
1939-40	75,357	26,199	37,770	139,326	18.2	91,886	12.5
Percent change	+48.9	-16.6	-12.2	+20.4		+30.9	

[1] Exports of gold and silver are negligible and are not included.
[2] Including gold and silver.
[3] Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

United States exports to Mexico. - The trend of United States sales to Mexico is closely related to the trend of United States purchases therefrom, for Mexico's foreign purchasing power is in large measure dependent upon its exports to the United States, which customarily takes about two-thirds of Mexico's total exports. During the years 1924-26 United States exports to Mexico averaged 138 million dollars, but they declined thereafter (as did imports) and reached a low of only 33 million dollars in 1932. During the depression years, however, exports to Mexico were better sustained than exports to Latin America as a whole.

With the recovery in Mexican purchasing power, United States exports to that country increased and by 1937 amounted to 109 million dollars. The subsequent sharp decline in exports to Mexico in 1938 was the result of a number of related factors, among them the expropriation of the petroleum properties, the depreciation in the foreign exchange value of the peso, and the loss of Mexican buying power through the general decline in the world demand for, and prices of, some of the country's principal minerals. Since 1938 exports to Mexico have again increased, and during the first 12 months of the European war they were 31 percent larger than in the comparable period of 1938-39 (see table 11). While this increase is smaller than that in exports to Latin America as a whole, it is about as large as that in exports to Central America.

During the 15 years preceding 1938, the position of Mexico as an export market for the United States increased in importance compared with that of most other countries of Latin America. Until 1932 Mexico was customarily the second or third largest market for the United States in Latin America, accounting for between 13 and 18 percent of total sales to that area. But in 1932-37, Mexico became the largest market in Latin America and took, on the average, about 18 percent of total sales to Latin America. Reflecting the sharp drop in sales during 1938, Mexico in that year ranked but third and took only 13 percent of total United States sales to Latin America. In 1939, however, Mexico regained its leading position and accounted for nearly 15 percent of the total (see table 11).

United States imports from Mexico.

Composition. - United States imports from most of the individual Latin American countries consist predominantly of only one or two commodities. Although silver and gold account for a large share of aggregate imports from Mexico, the merchandise trade is diverse, largely because of that country's wide range of natural resources and climate. Mexico is the only country in Latin America producing large quantities of such diversified commodities as minerals, fruits, and vegetables (tropical and nontropical), pastoral products, and textile fibers. Because of the variety of Mexican products, the aggregate value of United States imports from that country is less influenced by critical developments affecting one or two leading products, for example, petroleum or silver, than is that of other Latin American countries.

In 1939 aggregate United States imports from Mexico amounted to 122 million dollars, of which general merchandise represented 46 percent, gold 28 percent, and silver 26 percent. The leading merchandise imports in that year, together with the share which they represented in total imports from Mexico (including gold and silver), were as follows: Copper, 6.7 percent; bananas, 5.2 percent; cattle, 4.9 percent; lead, 4.4 percent; coffee, 3.9 percent; chicle, 3.2 percent; henequen, 2.9 percent; and crude petroleum, 2.8 percent.[1] These imports, each of which exceeded 3 million dollars in value, amounted in the aggregate to 41 million dollars and represented 34 percent of total imports from Mexico and 75 percent of the imports of merchandise. During the last decade, imports of copper, crude petroleum, and henequen decreased greatly in importance, whereas imports of most of the other leading products, especially bananas, increased. As already noted, the share of gold and silver in the trade rose markedly.

United States silver policy and imports from Mexico. - No other economic policy is more far-reaching in its effect upon the commercial relations between this country and Mexico than the silver policy of the United States. Silver is the largest source of the Mexican Government's revenue; it is that country's leading export; and it is also customarily the largest United States import from Mexico. In the last 6 years the price of silver and the volume of the imports of silver from Mexico have been determined almost entirely by the operation of the silver purchase program of the United States. This program has entailed: (1) the purchase by the United States Government, beginning December 1933, of newly mined domestic silver at prices materially above the world or open-market price then prevailing, and (2) the purchase, beginning June 1934, of foreign silver to augment the monetary silver stocks in the United States.

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[1] In 1937, the year preceding the expropriation, crude petroleum represented 2.5 percent of total United States imports from Mexico, and in 1938, 1.6 percent.

At the World Monetary and Economic Conference held at London, July 1933, eight nations, including the United States, reached a special agreement on silver. Five of the eight countries were large producers of silver and agreed to absorb, from their own combined production, silver amounting in the aggregate to 35 million ounces annually for a period of 4 years beginning with 1934. The United States agreed to take at least 24.4 million ounces, which represented 70 percent of the aggregate quota and was somewhat in excess of its production in 1933. The comparatively large commitment by the United States was important because this country was the world's second largest producer and, until 1931, was a heavy net exporter of silver (see table 13). On December 21, 1933, the agreement was ratified for the United States by the President who, under the powers granted by the so-called Thomas amendment to the Agricultural Adjustment Act (passed the preceding May), also authorized the purchase by the United States Treasury of all newly mined domestic silver at a price of 64.64 cents per ounce.1/ At that time, the open-market price at New York

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1/ This price was changed to 71.11 cents on April 10, 1935, to 77.57 cents on April 24, 1935, to 64.64 cents on December 30, 1937, and by act of Congress, to 71.11 cents on July 6, 1939.

was about 43.9 cents per ounce. This part of the United States silver program, however, had only a small and indirect effect upon the price and imports of Mexican silver compared with subsequent United States purchases of foreign silver.[1]

About 6 months after the Presidential proclamation directing the purchase of newly mined domestic silver, the United States Congress passed the Silver Purchase Act of 1934.[2] One of its purposes was to increase the proportion of silver to gold in the monetary stocks of the United States with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver. To achieve this end the Secretary of the Treasury was directed to purchase foreign silver, in addition to domestic silver, at such prices and times, and under such conditions as he might deem reasonable and in the public interest; however, it was provided that no silver should be purchased at a price higher than its mint value ($1.29+ an ounce) in the United States, and that no stocks of silver (foreign or domestic) in continental United States on May 1, 1934, should be purchased at more than 60 cents an ounce.[3]

That part of the act pertaining to the purchase of foreign silver has recently been the subject of congressional debate. In June 1939, when the President's monetary powers under the Gold Reserve Act of 1934 came up for renewal, the United States Senate voted to discontinue the purchase of foreign silver. But as finally renewed for 2 years, on July 6, 1939, the Gold Reserve Act left unchanged the provisions of the Silver Purchase Act and thus continued the Treasury's authority to purchase foreign silver. A year later the Senate again passed a bill terminating the purchase of foreign silver, but by the middle of November 1940, the House of Representatives had taken no action.

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[1] The international agreement expired at the end of 1937, and no apparent effort was made to extend it owing to the foreign purchase operations of the United States silver program.

[2] Public Law 438, 73d Cong., approved June 19, 1934.

[3] The act also authorized the nationalization of silver, and under this power the President ordered, on August 9, 1934, the delivery to the United States Government of all silver, except manufactured metal, in the United States. This order was later revoked, April 28, 1938.

In the next few years after 1934 the silver purchase program brought about a large increase in the United States monetary stocks of silver, and led to an exceptionally large inflow of silver into the United States from practically all countries producing or holding silver. It also increased sharply, though temporarily, the world price of silver, stimulated materially world production, and led to a serious contraction in the Chinese and Mexican silver currencies. As shown in table 12, acquisitions by the United States Treasury of newly mined domestic silver amounted to 31 million ounces in the fiscal year 1935. They were small, however, compared with the acquisitions of "Purchase Act silver," which amounted to 294 million ounces in that fiscal year and were obtained largely from foreign sources. This relationship between newly mined domestic and foreign silver was also maintained in subsequent years. The monetary stocks of silver increased rapidly and reached 3.9 billion dollars at the end of June 1940, compared with only 0.9 billion dollars when the act was passed.[1] Despite this increase, the share of silver in the total monetary stocks of the United States has failed to reach the ratio of 25 percent contemplated in the act. Principally because of the extensive flight of capital from Europe in recent years, the stocks of gold in the United States have risen so rapidly as to prevent the achievement of that objective.

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[1] Based on the legal value of silver for purposes of coinage ($1.29 per fine ounce).

Table 12. - Silver: United States acquisitions 1/ and monetary stocks, fiscal years, 1934-40

Fiscal year ended June 30 -	U.S. acquisition of - Newly mined domestic silver	Purchase Act silver	Monetary stocks of silver ($1.29+ per fine ounce)	Ratio of silver to total U.S. monetary stocks (gold and silver
	1,000 fine ounces		Million dollars	Percent
1934	8,558	-	898	10.3
1935	30,863	293,738	1,463	13.8
1936	48,784	558,640	2,250	17.5
1937	63,030	163,031	2,542	17.2
1938	68,716	337,225	3,066	19.1
1939	63,150	352,718	3,605	18.3
1940	2/	2/	3,940	16.5

1/ Statistics do not include generally small amounts of nationalized silver, silver contained in gold bullion, deposits, etc., and silver received in exchange for Government stamped bars. In 1935 the quantity of silver acquired through nationalization was temporarily large, totaling 112.3 million ounces.

2/ Not available.

Source: Acquisitions - Annual reports of the Director of the Mint, U.S. Treasury; monetary stocks - Bulletin of the Treasury Department.

The large acquisition of foreign silver under the Silver Purchase Act was reflected of course in a great increase in the quantity and value of United States imports of silver, especially from Mexico, the United Kingdom, India, and China. As shown in table 13, net imports of silver into the United States from the world rose from 41 million dollars in 1933 to 336 million in 1935, the first full year of the Silver Purchase Act. A substantial part of this rise was due to increased silver prices. Although net imports declined sharply after 1935, they continued to be several times larger than in the period immediately prior to the inauguration of the program. Imports of silver from Mexico represented more than one-fifth of United States imports from the world in the period 1935-39, and have shown about the same trend as total imports. Imports of silver from Mexico rose from 17.6 million dollars in 1933 to 63.7 million dollars in 1935, an increase of more than 250 percent. They declined sharply after 1935 but still remained very much higher than in several years before 1934 (see table 13).[1]

With a few countries, including Mexico, China, and Canada, the United States has made special arrangements relating to the purchase of silver. From the beginning of 1936 until the end of March 1938, the United States had an agreement with Mexico under which this country agreed to purchase a maximum of 5 million ounces a month of newly mined Mexican silver. Early in 1938 the United States also agreed to buy, and later actually purchased, from the Mexican Government, 35 million ounces of silver which it had accumulated prior to 1938. On March 31, 1938, a few days after the expropriation of the oil properties by Mexico, the United States discontinued until further notice the fixed monthly silver purchase arrangements with Mexico. Since then, newly mined Mexican silver has been imported into the United States and has been purchased by the Treasury on the New York market as has silver from other sources.

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[1] The statistics in table 13 include, in addition to silver bullion, substantial amounts of coin. Imports from Mexico of silver bullion alone, in specified years, 1929 to 1939, were as follows (in millions):

	Ounces	Dollars		Ounces	Dollars
1929	69.9	37.1	1936	67.8	30.4
1933	49.2	17.4	1937	69.4	30.8
1934	47.8	22.3	1938	97.4	42.4
1935	81.0	51.9	1939 a/	80.8	31.8

a/ Preliminary.

Table 13. - Silver: Price at New York, and the movement of silver to and from the United States, 1929-39

Year	Average price, New York, fine bar silver	Imports from - Mexico	Imports from - Rest of world	Exports	Total net imports (+) or exports (-)
	Cents per ounce	1,000 dollars			
1929 ----	53.3	40,511	23,429	83,407	-19,467
1930 ----	38.5	24,897	17,864	54,157	-11,396
1931 ----	29.0	16,035	12,629	26,485	+2,179
1932 ----	28.2	10,750	8,900	13,850	+5,800
1933 ----	35.0	17,590	42,635	19,041	+41,184
1934 ----	48.3	22,506	80,219	16,551	+86,174
1935 ----	64.6	63,686	[1] 290,845	18,801	+335,730
1936 ----	45.4	30,447	[2] 152,369	2,965	+179,851
1937 ----	45.2	30,802	61,075	12,042	+79,835
1938 ----	43.5	42,375	[3] 188,156	7,082	+223,449
1939 [4] -	[5] 39.1	31,773	53,534	14,630	+70,677

[1] The United Kingdom accounted for $245,429,000.

[2] China accounted for $69,996,000, and the United Kingdom for $53,424,000.

[3] The United Kingdom accounted for $134,362,000.

[4] Preliminary.

[5] Handy & Harman, Review of the Silver Market, 1939, p. 24.

Source: Prices from Reports of the Director of the Mint, except as noted; statistics of movement are compiled from official statistics of the U.S. Department of Commerce.

Since 1933 the price of silver of both foreign and domestic origin has been dependent almost entirely upon purchases by the United States Government. Because of increasing world production (until 1930) and decreasing industrial and monetary demand, the price of silver declined steadily from an average of 69.4 cents at New York in 1925 to a low of 24.6 cents an ounce in 1932. In the month preceding the Silver Purchase Act, May 1934, it averaged 44.5 cents an ounce,[1] but because of the ensuing purchases by the United States and accompanying speculation, the price rose rapidly to a peak of 81.3 cents an ounce on April 26, 1935.[1] The price then fell rapidly until the beginning of 1936, during most of which year and throughout 1937 it held at about 45 cents an ounce, the purchase price maintained by the United States Treasury. As shown in table 13, the United States Treasury reduced its price again in 1938, and in 1939 when it averaged 39.1 cents an ounce, the lowest yearly average since the program began and lower than the price obtaining immediately before the purchase of foreign silver began. In recent months of 1940 the price has held steady at about 35 cents per ounce. It is problematical what the price of silver might have been in recent years had the United States Government not purchased more than 2 billion ounces of silver since 1934 - a quantity amounting to one and one-half times the world's total production since that year.

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[1] The increase in New York selling price between 1932 and 1934 (see table 13) reflected chiefly the depreciation of the foreign exchange value of the dollar occurring in the period April 1933-January 1934. The New York quotations were not representative, therefore, of the fluctuations in world price in this period.

Although the United States silver purchase program considerably improved Mexican purchasing power by increasing the price of silver and expanding the quantity of imports from Mexico, it had an adverse effect upon Mexico's currency, which had been based upon silver after 1931. When the price of silver rose to such high levels in 1935, Mexican silver pesos for a time were worth more as bullion than as coin. Large amounts of Mexican silver coin were consequently sold for their bullion content. In 1935 United States imports of silver coin from Mexico amounted to 11.7 million dollars and were equal to 23 percent of the value of imports of bullion from that country.[1] As a result of the contraction in the country's currency, Mexico departed from the silver standard, adopted a managed currency, nationalized silver bullion and coin, and reduced the silver content of the peso.[2]

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[1] In a published letter to Senator McCarran, June 11, 1935, the Secretary of the Treasury stated his belief that the rapid increase in price in the latter part of April was not "the result of the normal operation of legitimate market forces" but rather that it was "to be attributed to the manipulation of speculative interests."

Since 1933 the world's production of silver has increased greatly, in part because of the silver purchase program of the United States and also because of the increased output of the base metals, copper, lead, and zinc, the ores of which often contain silver as a byproduct. Byproduct production accounts for only about one-fourth of the silver mined in Mexico, but more than two-thirds of that in the rest of the world.[3] The silver purchase program, therefore, was a greater stimulus to silver production in Mexico than in most other countries. Mexican production, however, failed to increase as rapidly after 1933 as did world production. World production exceeded somewhat the 1929 peak in each of the years 1937-39; but production in Mexico in these years failed to reach more than 80 percent of its 1929 level (see table 14).

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[1] In order to discourage this destruction of foreign coin, the United States Treasury on May 20, 1935, prohibited, except under license, the entry into the United States of foreign coin. This action, however, did not prevent the melting-down of silver coin in foreign countries and subsequent sale to the United States of the bullion so obtained.

[2] The effects of the United States silver policy on Chinese currency were very similar to those on Mexican currency.

[3] Bureau of Mines, Economic Relations of Silver to Other Metals in Argentiferous Ores, Economic Paper 10, 1930.

Table 14. - Silver: Production in Mexico, the United States, and the world, 1929-39

(In millions of fine ounces)

Year	Mexico	United States	World total
1929	108.9	61.2	261.0
1930	105.4	50.6	248.7
1931	86.1	30.8	196.0
1932	69.3	23.8	164.9
1933	68.1	22.8	169.2
1934	74.1	32.5	190.4
1935	75.6	45.6	220.7
1936	77.5	63.4	253.7
1937	84.7	71.3	274.6
1938	81.0	61.7	267.9
1939	1/75.9	1/63.9	1/267.3

1/ Estimated.

Source: Reports of the Director of the Mint for statistics through 1938; 1939 estimates are from the Bulletin of the Treasury, August 1940, p. 51.

Imports of petroleum and its products. - Although the United States is itself the world's largest producer and a net exporter of petroleum and its products, it imports substantial amounts of crude petroleum and fuel oil. Mexico is a secondary source of both products, by far the principal supplier of crude being Venezuela and of fuel oil, the Netherlands West Indies.[1] Until about 1927, however, Mexico supplied all but a small part of United States imports of crude petroleum and fuel oil. With the marked decline in production in Mexico and the rapid development of the Venezuelan fields, the quantity imported from Mexico and that country's share in total imports of these products diminished materially and have remained small compared with previous years.

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[1] Most of the petroleum products imported from the Netherlands West Indies are refined from crude petroleum obtained chiefly from Venezuela.

United States imports of crude petroleum and fuel oil may be explained in part by the fact that the Mexican and Venezuelan crudes yield a larger proportion of heavy refined products than does most United States crude; domestic petroleum is better adapted to the manufacture of the more highly-refined or light products such as gasoline. Moreover, a large and probably a major part of the imports from Venezuela, the Netherlands West Indies, and Mexico (until 1938) have been the products of properties owned by United States companies.

The most influential factor in the recent trend of imports of crude petroleum and fuel oil from Mexico has been the expropriation of foreign petroleum properties by the Mexican Government in March 1938.1/ The companies operating the bulk of the United States-owned properties were subsidiaries of large petroleum companies in the United States, and their operations were integrated with the refining and marketing activities of the parent companies. With the expropriation of their Mexican properties, it was possible for the parent companies in the United States to curtail sharply their imports of Mexican petroleum by substituting

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1/ For description of this action see "Petroleum" under subsection "National economic policy and the Six-Year Plan."

petroleum obtained from other company sources in the United States or elsewhere. As a result, a marked drop in imports of petroleum and fuel oil from Mexico occurred in 1938. But, owing to the development of new marketing outlets and to the conclusion of a working arrangement between the Mexican Government and the parent companies of one of the companies that had operated in Mexico, shipments of Mexican crude petroleum to the United States increased sharply in 1939, and in 1940 they far surpassed the level of imports preceding expropriation. Shipments of fuel oil to the United States, however, have remained small (see table 15).

In 1937 imports of crude petroleum from Mexico totaled 3.5 million barrels, all for consumption in the United States, but in 1938, the year of the expropriation, they declined to 2.5 million barrels; in 1939 imports rose to 5.0 million, of which 3.4 million were for refining and export.1/ Since the outbreak of the European war, with the accompanying loss of certain European markets for refined products, United States imports of crude from Mexico have increased greatly, and have again become entirely for consumption, as before 1938. In the first 9 months of 1940 they were more than double those in the comparable period of 1939, and amounted to 8.5 million barrels, a larger volume than in any year since 1930. Much of the recent sharp increase in imports occurred after April 1940 and may have resulted from the conclusion of a purchase

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1/ The destination of the refined products is not known, because the trade statistics do not segregate the refined products of domestic crude from those of foreign crude petroleum.

agreement in the spring of 1940 between the Mexican Government and a United States company which had owned petroleum properties in Mexico.

Imports of other products. - Mexico is also a substantial supplier for the United States of copper, lead, and zinc. In Mexico copper and lead are in part joint products obtained in the mining of silver, and consequently their production has increased somewhat with the output of silver in recent years. In 1929 total United States imports of copper from Mexico were valued at 25 million dollars and represented more than one-fifth of all merchandise imports from Mexico; more recently they have been much smaller, partly because of lower prices. In 1939 they amounted to 8 million dollars, or 15 percent of merchandise imports. Recent imports of copper concentrates have been only fractions of the 1929 figures; imports of unrefined copper in 1939 were less than two-thirds of the weight and not much more than one-third of the value of imports in 1929. All but a small part of the entries from Mexico are for refining and export, and not for consumption in the United States; such imports enter free of duty.

Imports of lead, amounting to 5.3 million dollars in 1939, are also entered chiefly for refining and export and so are free of duty; but imports of zinc, valued at 0.9 million dollars in 1939, are almost entirely for consumption in the United States (see table 15).

Among the leading vegetable products obtained from Mexico are bananas, chicle, and henequen, for each of which that country is the principal supplier of United States imports. The commercial production of bananas in Mexico and imports from that country have increased greatly since 1932. In that year the United States imported 4.5 million bunches from Mexico, or 9 percent of the imports from all countries, but in 1939 that country supplied 13.9 million bunches, or nearly 25 percent of the total.

The United States obtains most of its crude chicle, used in making chewing gum, from Mexico. Imports from that country declined from 8.3 million pounds in 1929 to 3.2 million pounds in 1933. With the subsequent recovery in general purchasing power, the demand for chewing gum (and hence chicle) increased, and by 1939 nearly 11 million pounds of Mexican chicle entered the United States, or almost three-fourths of the total quantity imported.

Henequen, used principally in the manufacture of binder twine, is obtained almost entirely from Mexico.[1] The quantity imported has fluctuated considerably in recent years; in 1929 about 85 thousand tons were imported from Mexico compared with 41 thousand tons in 1931 and 52 thousand tons in 1939. Although imports of henequen have declined in the last decade, imports of binder twine from Mexico have increased greatly (see table 15).

United States imports of live cattle, the third largest merchandise import from Mexico in 1939, come almost entirely from Canada and Mexico. Canada is the principal source of calves and of heavy "slaughter" cattle, whereas Mexico is the chief supplier of imports of cattle weighing between 200 and 700 pounds each, that is, "stocker" and "feeder" cattle imported for fattening. In 1929 aggregate imports of cattle from Mexico were valued at 7 million dollars, but as a result of increased import duties in 1930, and of reduced demand in the United States, the quantity and value of cattle imported from Mexico (and Canada) declined drastically for several years thereafter. In 1932 imports from Mexico were valued at only 1.3 million dollars. After the drought in the United States in 1934, imports increased considerably in 1935. In 1939, owing to poor grazing in Mexico and higher prices in the United States, shipments into the United States from Mexico increased again and were much larger in volume than in any previous year; in terms of value (5.9 million dollars), they were the highest since 1929 (see table 15).

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[1] In 1939 Mexico supplied 43 percent of the total United States imports of sisal and henequen combined. These two similar fibers are not segregated in United States import statistics; most of the sisal is from the Netherlands Indies and British East Africa.

Imports of antimony ore from Mexico, though they represent only a small fraction of United States trade with that country, are of considerable significance, inasmuch as antimony is considered by the United States to be a strategic raw material. All but a small fraction of United States consumption, used chiefly in storage batteries and bearing metal, is supplied by imports. Mexico is at present the principal supplier and in recent years has accounted for between two-thirds and three-fourths of the total. Imports from that country have increased several fold since 1929, principally because of the construction in 1931 of a smelter at Laredo, Texas, to refine Mexican ore. Bolivia, the second largest source, has recently increased in importance as a supplier.

Mexico is also a leading source of United States imports of coffee, cotton, and a number of vegetables, including fresh tomatoes, peas, peppers, and dried chickpeas, most of which are winter grown. Coffee and cotton are substantial imports in United States merchandise trade with Mexico (see table 15), but the quantities imported are small compared with supplies

Table 15. - **United States** imports for consumption from Mexico of principal commodities, in specified years, 1929 to 1939

(Value in thousands of dollars)

Commodity	Tariff status	Unit of quantity	1929		1932		1936		1937		1938		1939 1/	
			Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cattle	Dutiable	1,000 lbs.	108,003	6,992	33,492	1,280	72,848	1,946	87,893	2,407	133,101	3,332	204,031	5,937
Shell fish, n.s.p.f. 2/	Free	Do.	3/	3/	1,383	127	1,636	223	3,478	433	2,497	277	2,563	375
Goat and kid skins, dry and dry-salted	Free	Do.	5,722	2,338	1,873	313	2,692	787	2,876	1,027	2,378	584	2,421	634
Bran, shorts, and other wheat byproduct feeds	Dutiable	Short ton	4,339	112	4,151	46	22,080	350	15,017	323	6,649	104	13,277	205
Peas (except cowpeas and chickpeas), green or unripe (T.D. 45314)	Dutiable	1,000 lbs.	22,019	1,101	16,389	822	3,055	147	6,351	324	2,491	121	2,018	99
Chickpeas or garbanzos, dried	Dutiable	Do.	49,410	3,129	8,522	331	7,772	313	8,603	346	6,103	269	6,755	277
Tomatoes, natural state	Dutiable	Do.	87,855	2,791	91,795	3,028	41,205	1,284	52,126	1,600	20,807	623	14,619	445
Bananas, green or ripe	Free	1,000 bbls.	5,700	3,219	4,549	2,232	15,555	6,107	16,766	6,194	15,497	6,786	13,913	6,310
Coffee, raw or green	Free	1,000 lbs.	31,267	7,858	21,203	2,446	58,785	5,567	41,098	3,972	49,946	4,302	58,191	4,670
Vanilla beans	Dutiable	Do.	197	482	168	386	261	447	268	631	197	492	270	902
Guayule rubber	Free	Do.	2,857	545	-	-	2,753	287	6,028	746	5,618	629	5,001	463
Chicle, crude	Free	Do.	8,261	4,238	3,987	1,612	5,180	1,218	7,959	2,237	4,923	1,458	10,926	3,820
Candelilla wax	Free	Do.	3/	3/	3/	3/	1,804	242	2,844	339	1,411	165	3,357	420
Raw cotton, staple under 1-1/8 inches	Free	Do.	27,367	5,013	4,887	283	5,673	626	10,679	1,259	26,135	2,171	8,652	668
Henequen	Free	Ton	85,340	12,083	118,172	5,657	71,043	7,160	61,792	6,423	48,387	3,971	51,568	3,498
Istle or tampico fiber	Free	Do.	11.577	1.274	8,404	338	6,154	530	10,724	967	5,707	359	10,401	684
Binder twine, n.s.p.f.	Free	1,000 lbs.	2,825	298	10,311	567	23,636	881	21,674	1,011	16,009	750	6,235	244
Crude petroleum:														
For domestic consumption	Taxable	1,000 bbls.	4/ 12,663	4/ 11,388	4/ 7,147	4/ 4,618	4,459	3,720	3,512	3,278	1,602	1,441	1,688	987
Bonded for manufacture and export	Free	Do.					-	-	-	-	882	617	3,359	2,343
Fuel oil, including topped crude:														
For domestic consumption	Taxable	Do.	4/ 1,654	4/ 1,591	4/ 1,937	4/ 1,254	168	144	192	100	27	20 5/	40 5/	28
Bonded for supplies of vessels	Free	Do.					2,439	1,306	3,033	1,796	322	183 5/	41 5/	29
Copper:														
Concentrates:														
For smelting, refining, and export	Free	Short tons of copper content	6/ 14,954	6/ 4,843	6/ 309	6/ 28	395	71	118	24	1,338	249	948	172
For consumption	Taxable	Do.					-	-	-	-	-	-	-	-
Unrefined black, blister, and converter in pigs or converter bars:														
For smelting, refining, and export	Free	Do.	7/ 69,087	7/ 20,612	7/ 30,098	7/ 3,705	23,725	3,712	35,037	7,847	30,684	5,268	40,015	7,184
For consumption	Taxable	Do.					392	63	140	22	243	43	3,739	588
Refined, in cathodes, ingots, plates, or bars:														
For export	Free	Do.	8/ -	8/ -	8/ 469	8/ 70	4	1	-	-	-	-	-	-
For consumption	Taxable	Do.					6,734	1,000	5,441	1,123	3,277	534	-	-

See footnotes at end of table.

Table 15. - United States imports for consumption from Mexico of principal commodities, in specified years, 1929 to 1939 - continued

(Value in thousands of dollars)

Commodity	Tariff status	Unit of quantity	1929		1932		1936		1937		1938		1939 1/	
			Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lead:														
Ores, flue dust, and mattes, n.s.p.f.:														
For smelting, refining, and export	Free	Short tons of lead content	9/ 981	9/ 98	10/	11/	311	21	1,507	127	42	4	5,611	558
For consumption	Dutiable	Do.	9/ 6,855	9/ 818	550	63	515	39	2,270	218	3,435	296	4,998	410
Bullion or base bullion:														
For smelting, refining, and export	Free	Do.	53,993	4,984	15,185	911	17	1	959	118	5,385	466	51,764	4,144
For consumption	Dutiable	Do.	4,412	395	2,417	114	445	36	10/	11/	110	12	1,677	158
Zinc, blocks, pigs, or slabs:														
For smelting, refining, and export	Free	Short ton	-	-	-	-	-	-	161	14	350	17	35	2
For consumption	Dutiable	Do.	-	-	-	-	6,869	400	7,956	689	3,346	178	16,506	872
Antimony ore	Free	Do.	946	79	3,355	61	24,754	688	34,781	1,048	14,891	670	16,036	676
Arsenious acid or white arsenic	Free	Do.	9,966	748	3,325	183	8,174	427	11,500	556	8,422	415	8,123	378
Imports of commodities shown				97,029		30,475		39,744		47,199		36,806		48,180
Total imports of merchandise from Mexico				12/ 117,738		12/ 37,423		46,643		55,258		42,483		54,474
Principal imports as percent of total value				82.4		81.4		85.2		85.4		86.6		88.4

1/ Preliminary.
2/ Consists largely of abalone.
3/ Not separately classified.
4/ Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 **revenue act**, effective June 21, 1932. No free imports for the period June 21 to Dec. 31, 1932.
5/ Does not include topped crude or distillate fuel oil, of which imports from **Mexico are bel**ieved to be unimportant.
6/ Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 **revenue act**, effective June 21, 1932. No taxable imports June 21 to Dec. 31, 1932.
7/ Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 **revenue act**, effective June 21, 1932.
8/ Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 **revenue act**, effective June 21, 1932. There were no free imports in 1932.
9/ Flue dust not included.
10/ Less than 1 short ton.
11/ Less then 500.
12/ General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

obtained from other sources. Imports of Mexican cotton are negligible compared with United States production or exports, and less than 3 percent of this country's imports of coffee are from Mexico.

Dutiable status of imports. - Approximately one-fourth of the imports of merchandise from Mexico in recent years have been dutiable, or subject to import excise taxes. By far the largest dutiable imports from Mexico are cattle and petroleum. Imports of copper are almost entirely for refining and export and therefore free of duty. Other leading duty-free imports are bananas, coffee, henequen, and lead for refining and export (see table 15). Imports of gold and silver are of course free of duty.

Cattle are dutiable at various rates depending upon their weight and type. The principal category of imports from Mexico, cattle weighing 200 pounds and less than 700 pounds each, are dutiable at 2½ cents per pound, equivalent to 83 percent ad valorem based upon imports from Mexico in 1939. Other classifications of cattle, imports of which are supplied mainly by Canada, are dutiable at lower rates as a result of tariff concessions granted in the trade agreement with Canada.1/ Imports from Mexico under such classifications have, of course, likewise received the reduced rates, though imports at the lower rates are limited by tariff quotas. In most years since the agreement imports from Mexico in these classes have exceeded the amount permitted entry at the reduced rates; the excess was subject to the preagreement rates.

Under the Tariff Act of 1930 petroleum and its products are free of duty, but under the Revenue Act of 1932, imports of these products for consumption in the United States were made subject to import

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1/ Effective Jan. 1, 1936. A supplemental agreement became effective Jan. 1, 1939.

excise taxes. In the trade agreement with Venezuela, effective December 16, 1939, the tax on crude petroleum, topped crude, fuel oil, and gas oil was reduced from 1/2 cent to 1/4 cent per gallon. Imports entered for consumption at the reduced rate, however, were made subject to an aggregate quota not to exceed 5 percent of the total quantity of crude petroleum processed in refineries in continental United States during the preceding calendar year; imports in excess of this amount were taxable at the former rate. The tariff quota was allocated among the principal supplying sources on the basis of their shares in United States imports of these products during the first 10 months of 1939; for 1940 the allocation is as follows:

	Percent	Thousands of barrels
Venezuela	71.9	44,500
Netherlands and overseas possessions	20.3	12,564
Colombia	4.0	2,476
All other countries (unallotted)	3.8	2,352
	100.0	61,892

After the allocation of quotas for Venezuela, the Netherlands (mainly the Netherlands West Indies), and Colombia, Mexico competes with all other sources for the unallotted remainder. The maximum share it may obtain in imports taxable at the reduced rate is 3.8 percent of the total, which is materially smaller than its share in such taxable imports in most recent years.[1] In the first 9 months of 1940 total imports of crude petroleum, fuel oil, and gas oil from Mexico amounted to 10.6 million barrels, of which about 2.3 million were dutiable at the trade agreement rate. In April Mexico exhausted its quota of imports at the trade agreement rate, and of the amount entered in the first 9 months almost four-fifths, or 8.3 million barrels, was taxable at the rate established in the revenue act.

United States exports to Mexico.

United States export trade with Mexico is highly diversified, its composition being similar to that of exports to the rest of Latin America. Because Mexico is largely a raw material-producing country, most of the exports to that country are manufactured products. In 1939 the leading groups of exports to Mexico were machinery and vehicles, representing 40 percent of the total; metals and manufactures, 17 percent; chemicals and related products, 9 percent; and nonmetallic minerals, 8 percent (see table 16). In the order of their value, the leading individual exports to Mexico, shown in table 17, were passenger cars, auto parts, motor trucks, landplanes, tin plate, corn, steel sheets, gasoline, wheat, mining and quarrying machinery, radio sets, and lubricating oil. Mexico has been one of the leading foreign markets for the United States of a number of manufactures; among these are railway cars and parts,

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[1] Taxable imports from Mexico of crude petroleum, topped crude, fuel oil, and gas oil have been as follows:

	Thousands of barrels	Percent of total imports
1933	6,200	16.4
1934	6,144	16.9
1935	3,487	10.3
1936	4,627	12.6
1937	3,704	11.5
1938	1,629	5.5
1939	1,728	5.6
1940 (Jan.-Sept.)	10,580	22.3

railway-track material, tubular steel products, steel wire, radio apparatus, industrial chemicals, and explosives.

The principal factors influencing United States exports to Mexico in recent years have been the variations in the Mexican food supply and in the country's purchasing power, determined in part by the activity of its extractive industries and the value of its exports to the United States and other markets. In the period 1929-32 practically all United States exports to Mexico declined sharply, because of the decline in Mexican national income and because most of the exports consisted of durable goods, the demand for which could be deferred. After 1933, as a result of a general improvement in economic conditions in Mexico, especially in the extractive industries, most of the exports which before had declined so drastically, underwent a marked increase. In 1939 exports of steel sheets, tin plate, and auto parts (among others) exceeded in value those in 1929; the increase was due in part to greater industrialization, as evidenced, for example, by the expansion of the assembly in Mexico of automobile parts manufactured in the United States. The comparatively heavy exports of corn and wheat in 1938 and 1939 were caused chiefly by purchases of the Mexican Government to supplement poor crops in 1937 and 1938.

Part of the sharp drop after 1937 in exports of a number of the leading manufactures resulted from the controversy in the petroleum industry early in 1938, the depreciation of the peso after March 1938, the temporary upward revision in Mexican tariff rates, and the decrease of foreign purchases by the Mexican Government.

Table 16. - United States exports (domestic merchandise) to Mexico, by groups of commodities, in 1938 and 1939

(In thousands of dollars)

Groups of commodities	1938	1939 1/
Animals and animal products, edible, total	1,246	1,383
Lard, including neutral lard	658	742
Animals and animal products, inedible, total	766	1,058
Vegetable food products and beverages, total	5,226	4,332
Corn	774	1,572
Wheat	2,861	1,162
Vegetable products, inedible, except fibers and wood, total	1,560	2,505
Automobile casings	170	431
Textile fibers and manufactures, total	2,346	3,395
Tire fabric	497	579
Silk manufactures	418	464
Rayon manufactures	151	251
Wood and paper, total	2,438	3,403
Boards, planks, and scantlings	492	516
Greaseproof, waterproof, and wrapping paper	415	712
Nonmetallic minerals, total	5,707	6,735
Petroleum and products	3,665	3,919
Metals and manufactures, except machinery and vehicles, total	9,605	13,619
Iron and steel, scrap, ingots, blooms, billets, etc., and plates, sheets and skelp	1,324	2,269
Tin plate, terneplate, and taggers' tin	1,049	1,854
Tubular products and fittings	869	1,600
Wire and manufactures	612	942
Tools	544	846
Machinery and vehicles, total	21,576	32,298
Radio apparatus	1,025	1,419
Industrial machinery	7,210	7,330
Agricultural machinery and implements	1,450	1,951
Automobiles, parts and accessories	6,523	12,829
Aircraft and parts	1,247	3,240
Chemicals and related products, total	5,108	7,102
Coal-tar products	290	688
Sodium hydroxide	809	865
Miscellaneous	3,948	4,970
Total exports	59,526	80,800

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 17. - United States exports (domestic merchandise) to Mexico of principal commodities in specified years, 1929 to 1939

(Value in thousands of U. S. dollars)

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 1/	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lard	1,000 lbs.	62,077	7,859	38,706	2,174	1,700	197	6,798	811	2/ 7,234	2/ 658	2/10,486	2/ 742
Corn	1,000 bu.	354	404	5	6	14	1	28	39	991	774	2,141	1,572
Wheat	Do.	2,862	3,549	19	15	31	28	996	1,185	2,894	2,861	1,970	1,162
Cotton tire fabric	1,000 sq. yds.	26	10	107	33	1,034	305	1,329	440	1,585	497	2,146	579
Gasoline and other petroleum motor fuels 3/	1,000 bbls.	558	2,750	518	1,431	189	602	244	813	238	806	366	1,200
Gas oil and distillate fuel oil	Do.	1,741	1,678	253	222	224	281	295	333	373	420	105	162
Residual fuel oil	Do.			891	673	675	491	1,170	883	895	821	351	271
Lubricating oil, red, pale, and cylinder oil	Do.	70	859	35	356	65	687	94	1,007	84	838	96	1,053
Paraffin wax	1,000 lbs.	24,910	1,110	4,969	118	2,063	58	13,269	441	16,831	398	21,833	648
Iron and steel scrap, and tin-plate scrap, etc. 4/	Tons	7,547	62	168	1	33,678	351	61,346	931	21,301	254	37,150	381
Steel ingots, blooms, billets, slabs, sheet bars and tin plate bars 5/	Do.	44	7	97	6	2,470	82	24,020	571	139	7	405	17
Steel sheets, black, ungalvanized	Sh. tons	3,249	274	2,154	110	16,007	812	25,314	1,619	11,446	698	23,102	1,365
Tin plate, terneplate, and taggers tin	Do.	12,209	1,185	3,170	245	15,405	1,459	15,503	1,614	9,684	1,049	18,158	1,854
Casing and oil line pipe	Do.	6,859	718	766	80	2,662	250	13,035	916	682	73	462	61
Tin cans, finished or unfinished	Do.	1,133	196	381	70	1,364	313	1,657	363	1,737	328	1,824	346
Miscellaneous iron and steel manufactures 4/	-	-	1,547	-	217	-	673	-	672	-	365	-	381
Copper ore, concentrates, matte, unrefined copper as blister, converter copper or anodes 6/	Sh. tons	7/	8/ 8	-	-	3,033	415	2,185	588	96	19	2	1
Lead pigs, bars, sheets, pipes	Do.	75	12	36	4	8,056	645	8,154	660	11,403	917	2,945	183
Household electric refrigerators	Number	9/	9/	602	54	4,935	415	7,325	589	1,926	158	4,835	419
Radio receiving sets	Do.	10,326	748	16,172	392	85,704	2,086	93,634	2,385	34,508	711	61,718	1,128
Locomotives, steam	Do.	9	328	-	-	15	212	17	794	17	1,378	1	2
Excavators, including power shovels	Do.	31	233	12	145	29	476	43	645	12	192	9	47
Mining and quarrying machinery	-	-	1,857	-	322	-	1,380	-	1,739	-	1,017	-	1,137
Petroleum and gas well drilling apparatus	-	-	247	-	153	-	296	-	597	-	123	-	146
Other petroleum well and refining machinery	-	-	507	-	474	-	834	-	773	-	93	-	68
Sewing machines for domestic use	Number	34,443	1,078	2,018	74	20,812	899	15,482	636	820	14	993	25
Sugar mill machinery	-	-	896	-	72	-	133	-	1,504	-	77	-	74
Miscellaneous industrial machinery and parts 4/	-	-	1,552	-	360	-	739	-	1,178	-	639	-	724
Motor trucks, busses and chassis, new	Number	10/ 3,796	10/ 2,848	364	270	5,799	3,969	6,748	4,983	1,610	1,160	3,425	2,358
Passenger cars and chassis, new	Do.	10/12,676	10/ 8,005	971	738	7,384	4,746	9,121	6,076	2,845	2,080	6,089	4,425
Automobile parts for assembly	-	-	1,586	-	358	-	2,312	-	3,628	-	1,959	-	4,044
Automobile parts for replacements 11/	-	-	948	-	274	-	611	-	916	-	770	-	1,066
Landplanes (powered)	Number	9/	9/	9/	9/	47	500	77	1,169	58	1,030	65	2,038
Freight cars	Do.	567	1,330	22	14	337	173	1,591	2,340	448	554	541	456

See footnotes at end of table.

Table 17. - United States exports (domestic merchandise) to Mexico of principal commodities, in specified years, 1929 to 1939 - continued

(Value in thousands of U. S. dollars)

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 1/	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Soda ash	Short tons	6,611	192	5,839	165	14,254	324	16,130	361	14,767	375	19,618	469
Sodium hydroxide (dry weight)	Do.	7,450	446	8,989	437	15,357	608	19,047	752	19,092	809	20,694	865
Exports of commodities shown			45,021		10,063		28,363		44,951		24,922		31,469
Total exports to Mexico			132,189		31,624		74,417		105,761		59,526		80,800
Principal exports as percent of total value			34.1		31.8		38.1		42.5		41.9		38.9

1/ Preliminary.
2/ Includes neutral lard.
3/ Classified as "Gasoline, naphtha, and other finished light products" in 1929 and 1932.
4/ Exports not strictly comparable for the series.
5/ Excludes tin plate bars in 1929 and 1932.
6/ Classified as "Copper ores, concentrates, composition metal and unrefined copper" in 1929, and as "Copper ore, concentrates, matte, and regulus," in 1932.
7/ Less than one ton.
8/ Not over $500.
9/ Not separately classified.
10/ May include some second-hand articles.
11/ Includes asbestos clutch lining in 1929 and 1932, not included in later years.

Source: **Compiled** from official statistics of the U. S. Department of Commerce.

Balance of payments between the United States and Mexico.

Statistics bearing on the balance of payments between the United States and Mexico (see table 18) are most useful in giving a survey in summary form of the extent and nature of the various commercial and financial transactions between the two countries. Moreover, they hold special interest for each country - for Mexico, because the United States accounts for approximately two-thirds of that nation's financial transactions with the world, and for the United States, because the aggregate value of its commercial and financial dealings with Mexico are larger than those with any other country in Latin America.

The United States customarily has had a substantial merchandise export balance with Mexico, that is, the value of merchandise exported to that country has exceeded imports therefrom. However, gold and silver from Mexico are not shown in table 18 as a part of the merchandise account; inasmuch as these precious metals are the products of Mexican mines and do not represent monetary reserves, it would appear more appropriate to consider them as part of the merchandise account. If imports of gold and silver are combined with merchandise, United States exports to Mexico become far less than imports therefrom. The excess of aggregate imports amounted to 38.7 million dollars in 1939, and since 1929 it has been as high as 65.2 million dollars (1938) and as low as 8.1 million dollars (1930). The net debit balance with Mexico arising from the aggregate commodity trade (including gold and silver) has been further increased by the large expenditures of United States travelers in Mexico. These were estimated at 44 million dollars in 1938 and were more than one-half the value of imports of gold and silver.

Inasmuch as gold and silver together exceed all other debit items in the United States balance of payments with Mexico, it is clear that United States monetary policy in recent years, involving the purchase of gold at $35 per ounce and silver at prices ranging from 35 cents to 81 cents per ounce has contributed materially to strengthening Mexico's international financial position and to extending its commercial relations with this country.

Interest, bond-redemption, and sinking-fund receipts at times have been substantial credit items for the United States in the balance of payments with several Latin American countries, but such receipts from Mexico have been practically nil throughout the period shown, inasmuch as the dollar debt of Mexico has been in default since 1914.

The net debit balance in the financial transactions between the United States and Mexico, shown in the last item of table 18, is large, but it is based on only a part of the accounts customarily entering into a balance of payments statement. The income from United States direct investments in Mexico is the principal account for which statistics are not available; this credit for the United States at times has undoubtedly been large compared with many other items in the statement. At the end of 1936 United States direct investments in Mexico were the third largest in Latin America with a reported value of 479 million dollars; of this amount investments in petroleum accounted for 69 million dollars, mining and smelting for 213 million, and public utilities and transportation for 147 million. 1/

1/ U.S. Department of Commerce, American Direct Investments in Foreign Countries - 1936, p. 12, 1938.

Expropriation of the petroleum properties may have reduced the total substantially (at least by a part of the amount of the reported value of petroleum properties); still the aggregate value of United States direct investments and the income therefrom are probably large.

Though the income from direct investments in Mexico is not shown separately as a credit item in table 18, the major part of United States imports from Mexico (including gold and silver) are the products of United States-owned enterprise.[1/] The proceeds obtained from the sale of such products in United States or other markets constitute, in part, the return on invested capital. A large portion, however, and at times possibly all, of the gross revenues of these enterprises may be required to pay operating expenses in Mexico. Insofar as the income from direct investments is transferred by shipments of goods, Mexico has no financial transfer problem. But when the income from investments which yield no export product (a public utility enterprise, for example) is to be transferred to the United States, then a financial transfer involving the purchase of dollar exchange is necessary.

Other items in the balance of payments for which statistics are not available include the investment of new United States capital in Mexico (a debit for the United States), and the net movement (in either direction) of banking funds and security transactions. How much these items have affected the net debit balance is not known.

[1/] The Bank of Mexico reports that in recent years nearly three-fourths of Mexico's exports to the world are the products of enterprises controlled predominantly by foreign capital; it is likely that an equally large part of exports to the United States are the products of companies controlled by United States capital.

Since the spring of 1938, the sharp decline in the foreign exchange value of the peso and the movement of foreign capital to and from Mexico have been interrelated factors in the balance of payments. The depreciation of the peso operated to keep within Mexico the capital and profits of foreign-owned companies (except for transfers accomplished through the export of Mexican commodities), and might conceivably have stimulated the investment of new foreign capital. The amount of new United States capital invested in Mexico in recent years, however, has probably been small; in fact, as a result of the governmental, economic. and social program in Mexico, there may have been a withdrawal of capital funds. It would appear, therefore, that the actual net debit balance for the United States has been considerably smaller than that shown in table 18, principally because the large item representing the return on direct investments in Mexico is not accounted for as an offsetting credit.

Table 18. - Partial balance of payments between the United States and Mexico, 1929-38

Note: Net credit balances for the United States are indicated by +; net debit balances by-.

(In millions of dollars)

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Trade and service items:										
Merchandise exports to Mexico 1/	133.9	116.1	52.4	31.9	37.5	55.1	65.6	76.0	109.5	62.0
Merchandise imports from Mexico 1/	117.7	80.3	47.6	37.4	30.7	36.5	42.5	48.9	60.1	49.0
Excess of merchandise exports to (+) or imports from (-) Mexico	+16.2	+35.8	+ 4.8	- 5.5	+ 6.8	+18.6	+23.1	+27.1	+49.4	+13.0
Receipts from Mexico for shipping services 2/	2.3	1.7	1.5	1.0	.5	.6	.7	.8	1.1	.7
Expenditures of Mexican travelers in U.S. 2/	7.0	13.0	9.0	5.0	4.0	4.0	5.0	5.0	5.0	4.0
Expenditures of U.S. travelers in Mexico 2/	38.0	56.0	44.0	36.0	28.0	45.0	34.0	40.0	45.0	44.0
Interest receipts from Mexico	-	-	-	-	.1	.1	-	-	-	-
Net payments to Mexico for services 3/	-28.7	-41.3	-33.5	-30.0	-23.4	-40.3	-28.3	-34.2	-38.9	-39.3
Net receipts from (+) or payments to (-) Mexico on trade and service account 3/	-12.5	- 5.5	-28.7	-35.5	-16.6	-21.7	- 5.2	- 7.1	+10.5	-26.3
Gold and silver:										
Net gold imports from Mexico 1/	- 5.6	-20.4	-22.3	-20.1	- 4.3	-30.1	-13.7	-40.0	-38.5	-36.5
Net silver imports from Mexico 1/	-35.3	-23.5	-15.1	-10.5	-17.6	-22.0	-58.3	-29.9	-30.2	-41.7
Net gold and silver imports from Mexico	-40.9	-43.9	-37.4	-30.6	-21.9	-52.1	-72.0	-69.9	-68.7	-78.2
Capital items:										
Bond-redemption and sinking-fund receipts from Mexico		+.1	-	-	+1.2	-	-	-	-	-
Net balance on items shown 4/	-53.4	-49.3	-66.1	-66.1	-37.3	-73.8	-77.2	-77.0	-58.2	-104.5

1/ United States statistics, unadjusted.
2/ Rough estimates.
3/ Excluding return on U.S. direct investments in Mexico.
4/ Exclusive of return on direct investments (receipts) and new investments (payments) in Mexico.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U.S. Department of Commerce.

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